

Nation's Business

A USEFUL LOOK AHEAD

NOVEMBER 1965

WHERE CIVIL RIGHTS LAW IS GOING WRONG

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Union tactics stall justice 13 years **PAGE 31**

How Howard Johnson built from scratch **PAGE 40**

The one black cloud—inflation **PAGE 34**

Where do you stand with the boss? **PAGE 74**



Restaurant-pastry shop features floor in new Kentile® Colonial Brick Solid Vinyl. 9" x 9" tiles. Colors shown: Georgetown Red and Williamsburg Pink. The counter base is Black KenCove® Vinyl. Interior is by David Barrett, A.I.D., N.S.I.D.

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Nation's Business

November 1965 Vol. 53 No. 11

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The national federation of organizations representing
4,500,000 companies and professional and business men
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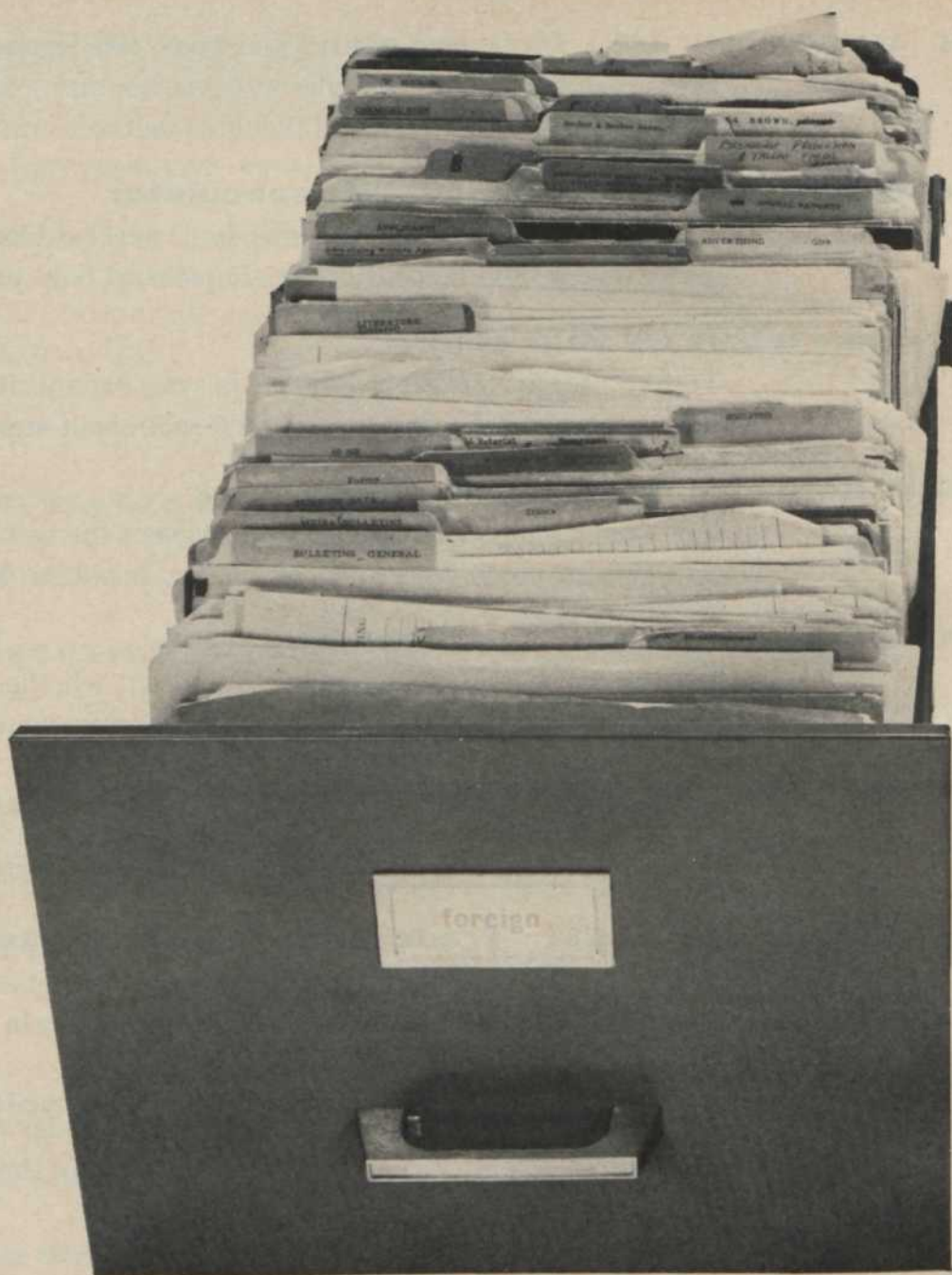
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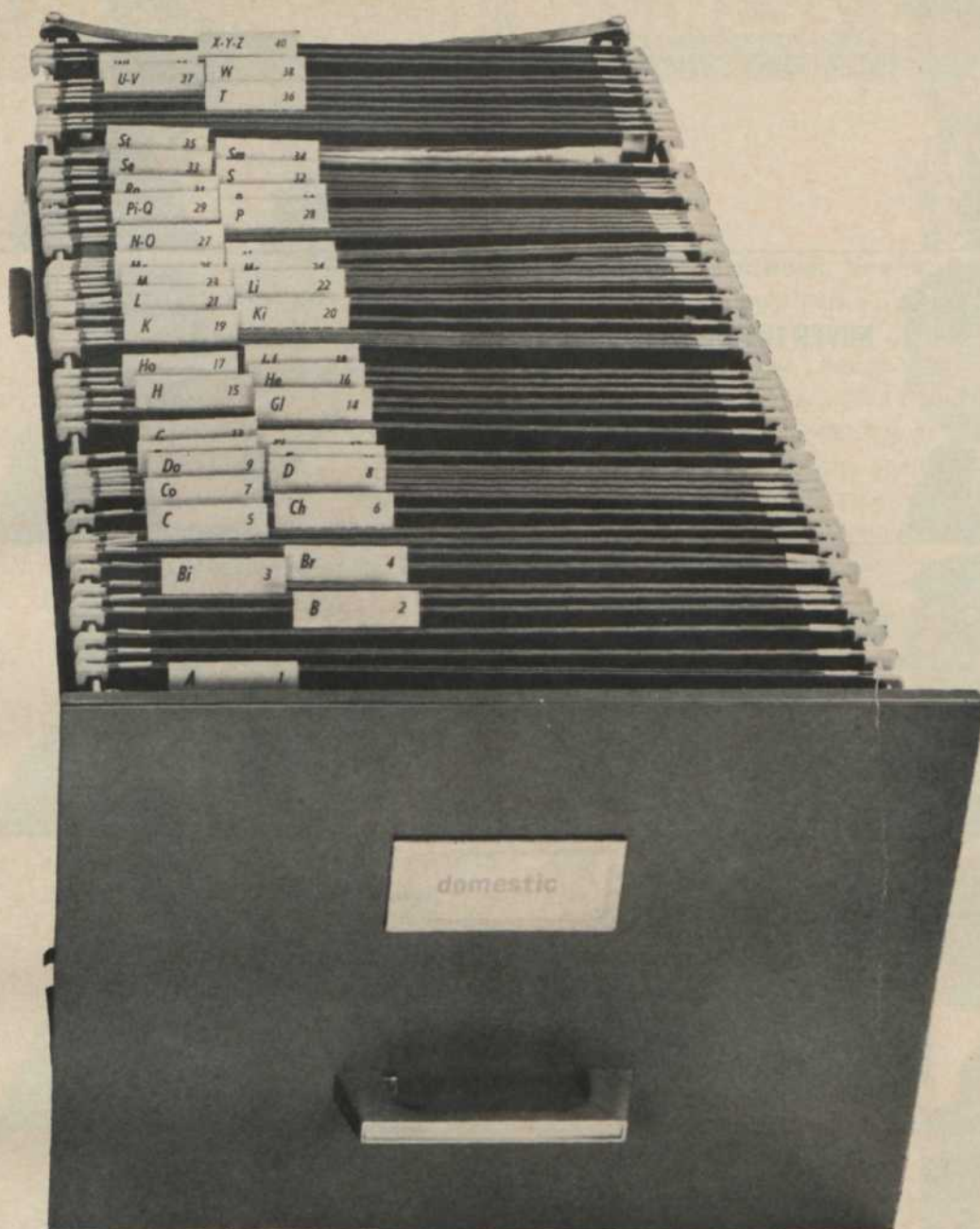
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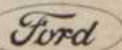
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WASHINGTON BUSINESS OUTLOOK

Suppose you operated a business which lost money year after year. Suppose your losses for three years running added up to a whopping 25 per cent of sales.

You'd go out of business and you know it.

Still, that's the shape of government's business-type operations.

They include a wide range of goods and services—from books to fertilizer, electricity to insurance, laundry services to feeding congressmen.

Budget Bureau defines the term:

"The public enterprise funds are federally owned funds which carry on a cycle of operations, primarily with the public, organized usually on a business-type basis." Some are incorporated, others aren't.

Commodity Credit Corporation and the postal fund account for sizable transactions. But there are many others all through government.

Though receipts are mostly from the public, some come from other federal agencies. For example, some government agencies pay TVA for electric power. Others pay the Post Office Department for postal services.

Some public enterprise funds manage to operate on a self-sustaining basis.

Problem is that spending, over all, exceeds income by billions. Sales, spending and losses mount each year.

Subsidized housing is a prime example of how so-called business-type enterprises burden taxpayers.

Spending by Public Housing Administration, according to Budget Bureau estimates, is expected to exceed receipts this year by some \$235 million.

Government's urban renewal fund is another. This program is expected to come up some \$360 million short.

TVA misses its mark by an estimated \$40 million.

Government seeks to shave losses of these operations.

But that's little comfort to taxpayers, who foot the bill. Success is meager.

All together, more than 80 separate activities drain off billions of general tax funds.

In three years, spending of all government-run enterprise-type operations exceeded income by more than \$10.2 billion.

Expenditures are rising faster than national economy.

And it's a good guess that more such operations—despite opposition—will be proposed when Congress returns in January.



Second half of spendingest Congress in history gets under way in two months.

May be one of the shortest sessions.

Coming on heels of this year's record-smashing session, new laws to be passed next year will surely be fewer in number.

But . . . more costly.

Summary: Total federal spending during fiscal '67 is likely to run in range of \$15 billion higher than for fiscal '66, which we're in now.

That'll put government spending close to

average of \$10 billion per month. Some of this goes for military commitments that we have in Viet Nam.

But most of the increase will be for welfare state spending.

Economic opportunity program, for example. That's what the poverty program's called.

It'll cost an estimated \$1.4 billion during year ahead, much more after that.

Compares with less than \$350 million last year when program was just getting under way.

Miscellaneous welfare services—not the whole welfare picture by a long shot—will cost \$730 million, up from \$580 million.

Congress also will be asked to okay much more for federal education programs. A government study identifies approximately four dozen kinds of education spending programs now. Plus big chunks of money to be doled out to cities, counties, states to help pay for local projects from sewers to skyscrapers.

Troublesome business issues in Congress next year will include scheme to federalize state unemployment pay programs.

Proposal would let federal government dictate amounts of jobless pay under state programs.

Also would extend federal grants to states to cover cost of higher jobless benefits, extend period of eligibility for jobless worker to receive pay.

And it would boost your taxes for unemployment insurance.

Watch for Administration to tag this top priority—what Administration lobbyists call "double must" legislation.

Future cost to taxpayers of new federal medical care program is indicated by government estimate that 2,000 new employees will

need to be hired to administer it. That's just first-year requirement.

Social Security Administration's personnel office estimates bureaucracy will swell by 8,000 when program reaches full force.

Impact of Viet Nam sends out more waves in economy.

Example:

Government to start TNT production after shutdown of eight years.

Actions in Asia cut deeply into supply.

It means, among other things, requirements for nitric acid.

But government claims commercial plants aren't adequate, so government will reactivate some of its own plants—one in January, another in February, a third in April.

Will defense build-up rock domestic economy?

"No" is Washington's view.

Franklin B. Dryden, deputy director of Office of Emergency Planning, says we can take care of a "substantial increase in defense spending without disrupting the civilian economy."

He admits that there have been "some dislocations in current production schedules due largely to expediting of deliveries by the Department of Defense." But he says these problems have been temporary.

"In the event we find that military orders are causing severe dislocations of the civilian economy, you may rest assured we will seek the advice [of Congress] before any controls are imposed on the economy," he promises.

Uncle Sam wants some of your younger managers.

Currently some 3,300 executive reservists—as they're called—are assigned to 11 government departments and agencies.

These are men who could be called to Wash-

WASHINGTON BUSINESS OUTLOOK

ington to fill important government management jobs in national emergency.

Emergency planning officials want a larger executive reserve corps plus many replacements.

Mr. Dryden explains there's no substitute for experience, but young people are needed for fresh ideas and latest industrial know-how.

Also being discussed in Washington is idea of calling executives to active duty "when natural disaster strikes."

Emergency planning agency points out that "one out of every seven Americans lives in a county which suffered the debilitation and disorder of some natural disaster in the past year." These range from earthquakes to storms, fires to floods.

Item: Many states, counties, cities—at urging of Uncle Sam—have similar executive reserve programs; currently 46 states with some 5,000 company officials enrolled. Washington also wants to enlarge this activity.

Some of your skilled workers may be deferred from draft.

Because of shortage of skilled manpower, Selective Service System continues to grant liberal draft deferments to apprentices employed in critical occupations. Included in list are a number of machine-tool skills.

Department of Labor is looking into areas where shortages of skilled personnel are reported. Example is New York State, where foundry workers are scarce.

Quality of credit will come under more discussion.

Why? Mostly because credit keeps growing.

Here's official Washington view from Otto Eckstein, of President's Council of Economic Advisers:

"With some clearly defined exceptions, the quality of consumer credit remains high.

"Consumers are meeting their obligations; the default rates are still generally very low.

"It appears that most families do an excellent job of self-policing, of making no additional credit purchases when they begin to feel pinched by outstanding obligations.

"A larger fraction of all families now use credit than before. More people own their homes and a car or two, and pay for them while using them. The growth of liquid assets is also very high, greater than the growth of debt. More and more families find it convenient to maintain regular savings plans on the one hand and finance durable goods purchases through credit."

Meanwhile, American Collectors Association reports that consumers behind in paying their bills are "having an easier time getting caught up."

Item: Survey shows 96 per cent of families with \$10,000 income or more own one or more cars.

That's a record.

Government adds to gold problem?

Look at these facts, judge for yourself:

Government has a jewel bearing facility in North Dakota. It is buying new production equipment from Switzerland.

Officials hasten to say the foreign equipment will result in "lower unit costs on current production, thereby saving both stockpile and Defense Department funds."

But it still means more U. S. dollars going abroad.

Meanwhile, Department of Commerce continues its "voluntary program" to get businessmen to spend less money overseas to improve our balance of foreign payments.

As we spend more abroad than we take in from other countries, flow of money overseas increases foreign demands on our dwindling gold supply.

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Business opinion:

Comprehensive coverage of socialism's failure

To the Editor:

The October issue of your fine magazine contained a most interesting and important article, "Where Socialism Failed Close to Home."

We are personally acquainted with the situation since one of the more active proponents of the free enterprise system is a close friend. Mr. Kramer of Kramer Tractor Company, Ltd. in Regina has kept us informed of the socialist condition in his province, and we know how dedicated he has been toward the change in province governmental leadership.

The article by Associate Editor Theodore Drury was comprehensive and quite well reported [and] a fine job of reviewing the entire situation. We would like to circulate a number of these fine articles to friends, associates and employees in Kansas.

We enjoy your magazine and feel that it gives us a good insight into the business and economy of our country.

WILLIAM W. MARTIN
President
Martin Tractor Company, Inc.
Topeka, Kansas

Culture needs a friend

To the Editor:

Felix Morley's comments in "Now Being Human is an Art" [September] on the federal government's relationship to the cultural aspirations of the American people could have appeared in no more inept a position than under the rubric of *Trends*.

The federal legislation on behalf of the arts and humanities is not significant as a "money bill." It is significant in that the United States takes a position, for all the world to see, that after the needs of health, welfare and education have been met, a nation in a normally evolutionary process looks to the cultural life of its citizens.

President Johnson, speaking at the ground-breaking of the John F. Kennedy Center for the Performing Arts, said, "The role of government must be a small one," which is quite as it should be. After all, in a democracy quite properly the

genesis of action rests with the people even as do the roots of power.

Being human is indeed an art, but our arts live when they are human.

GEORGE ALAN SMITH
Executive Administrator
The American National Theatre and
Academy
New York, N. Y.

NLRB is not neutral

To the Editor:

[The views of this former National Labor Relations Board attorney were cited in "Who Runs the Labor Board," September. Here he says the Board has the duty to promote unionization.]

I consider your paraphrase of my statement very fair. . . .

My disagreement with the thesis that the Board is unlawfully pro-labor when it operates within the area of its statutory discretion to promote rather than stand aloof from collective bargaining and unionization stems from the simple fact that Congress did not act to protect the right to organize and bargain collectively, and correlative right to refrain, merely as a civil rights matter.

On the contrary, Congress had a significant economic philosophy and objective. Section 1 of the Act declares that "inequality of bargaining power between employees . . . and employers . . . substantially burdens and affects the flow of commerce, and tends to aggravate recurrent business depressions, by depressing wage rates and the purchasing power of wage earners in industry and by preventing the stabilization of competitive wage rates and working conditions within and between industries."

One may agree or disagree with the economic theory and political philosophy which underlies this declaration but under our constitutional system of government its repeal can legitimately be accomplished only through the legislative and not through the administrative processes. Board members, the general counsel and the staff are bound to effectuate the policy of the

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Business opinion:

Act as written, and not supersede it with a "neutrality" theory which views individual and collective bargaining as equally compatible with the national welfare. Management's recurrent attacks upon the National Labor Relations Board as being pro-labor are unfair and distorted because they overlook this fact.

MOZART G. RATNER
Washington, D. C.

To the Editor:

With a great deal of interest did I read the September copy of NATION'S BUSINESS. Of particular interest is "Making Ideas Flow," the interview with Joseph B. Hall of Kroger Company. In his article he quoted two books—"Strategy in Handling People" and "You Are in Charge."

I am quite interested in getting both copies and if you could furnish me information as to where they might be obtained, I would appreciate it.

O. B. BURNHAM
Vice President
Burnham Van Service
Columbus, Ga.

► The book, "Strategy In Handling People," written by Ewing Thurston Webb and John B. Morgan, was first published in 1930.

Halcyon House, of Garden City, N. Y., published the book again in 1948. It has been out of print since 1951, but copies can often be obtained from firms which specialize in old books—such as O'Malley's Book Store, 377 Park Ave. South, New York 16, N. Y.

The other book referred to by Mr. Hall was "You're in Charge; Memos to the Rising Executive." The author is Ford Bell. It was published in 1964 by Doubleday & Co., 501 Franklin Ave., Garden City, N. Y.

Wall Street listening

To the Editor:

We are expanding coverage of our daily stock market report. From time to time we would like to tell our listeners what the leading authorities in Wall Street are saying.

Because of the reputation enjoyed by your publication, we would like permission to highlight material and occasionally quote excerpts from your current issue.

WGBS's listening area covers South Florida, including Miami, Ft. Lauderdale and Palm Beach.

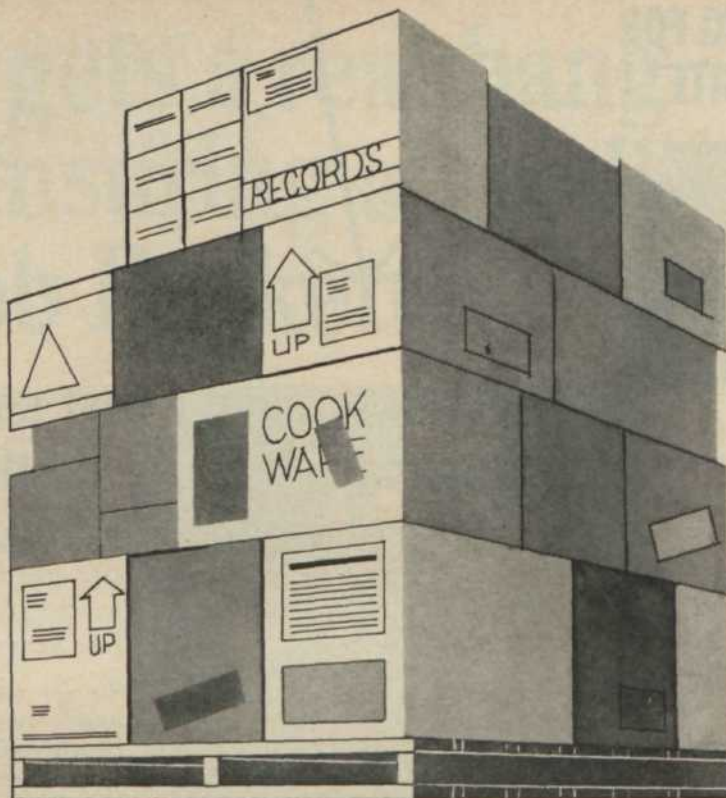
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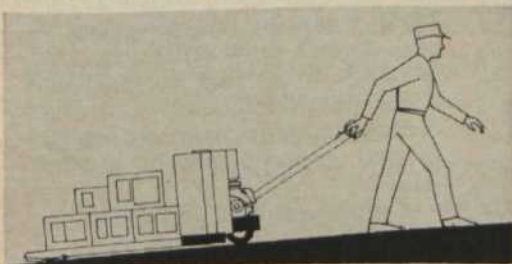
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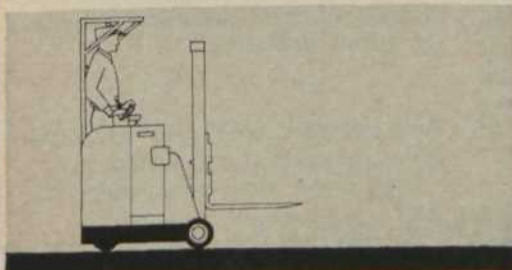
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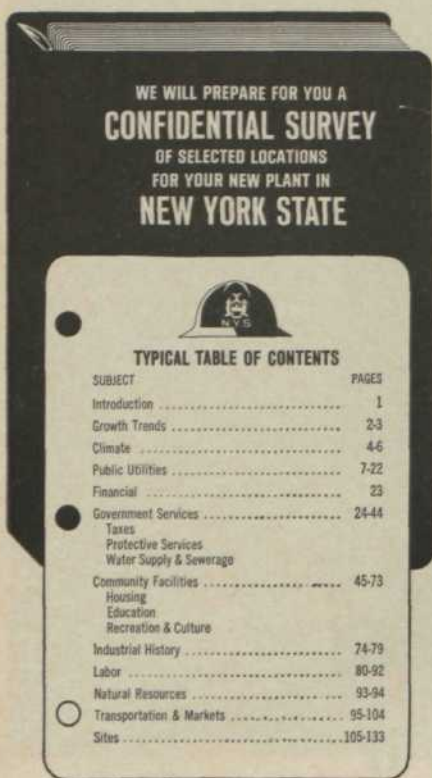
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**DISCOVER WHAT'S NEW
IN NEW YORK STATE**

Executive Trends

- How to save a lost sale
- Secretaries size up their bosses
- Secret weapon in the hiring war

Situation? Bleak. The salesman has tried all the pitches. But the prospect, unmoved, glances impatiently at his watch. The sales call appears to have ended in failure.

Then, smiling, the salesman breaks the impasse.

"Look," he says, "why don't you tell me the real reason you don't want to buy?"

The prospect is stunned. He's never been asked that question.

Fumbling at first, he begins to explain exactly what his misgivings are. The salesman waits until the two or three objections are out in the open, then he systematically but politely takes them apart. Result? The prospect winds up signing a purchase order.

The story illustrates just one of the new techniques which companies are using to build more success into their selling efforts. There are others. Creative selling chief Hugh Robertson of Porter Henry & Co., Inc., New York-based sales training consultants, says the swing is toward greater use of these techniques as more and more firms face the fact that all the talk about "the marketing concept" is fruitless if the salesman on the line can't clinch a sale.

Firms are training their men to "listen between the lines," to dig for the real reasons for buying, to carefully analyze selling efforts that failed in the past, and—by asking scientifically prepared questions—to narrow every sales situation to the real issue.

Why is all of this important?

For two reasons, Mr. Robertson contends. One, he estimates that

80 per cent of the average salesman's time is wasted in reciting benefits of a product or service not really pertinent to the specific selling situation. Two, with the disappearance of clear advantages of some products over others in many lines, the factor which nails down a sale has become, increasingly, the ability of the salesman to grasp a prospect's real motivations and to put them to work in making the sale.

• • •

Give your secretary more to do. Chances are she'll welcome the added work and turn in better overall performance as well.

This is abundantly clear in the findings of a new, confidential survey made for this column among 21 secretaries to executives in New York area companies.

The secretaries themselves make the plea for more responsibility. Many complain that too often the boss doesn't fully utilize the abilities they have; that he needlessly keeps his hand in detail work which could be handled more economically and expeditiously by subordinates.

A representative comment:

"I strongly feel that many executives fail to recognize the capabilities of their secretaries, thereby stifling initiative."

• • •

Your secretary sees your executive operating style at close range.

How's the view from where she sits?

It may not be altogether com-

Sentry gets a real bang out of insuring a 'small' business like Bob Burkett's...

If you run a business like Bob Burkett's, farm equipment and hardware, in Biggsville, Ill.—you know what chews at you these days. Price cutting all around you! Cost of business inching up! Mostly, though, you don't have enough time! Time to get out and sell the way you want to!

Sentry knows you have these problems. After all, our business was started by a group of small businessmen—hardware merchants—who got together to form a company and insure themselves. And even though we sell all kinds of insurance nowadays, fire, auto, life, homeowners and so on, our main stock-in-trade is insuring small businesses!

And we like to think we can do a better job for them because we've *been* one of 'em. We know what a small businessman is up against. What his business is all about.

Take Bob Burkett's operation. "Dad started the business back in '24", says Bob. "I grew up in it. Wasn't more'n 6 years old when I started shagging parts. There was a dab of hardware, but mainly farm equipment. In a good year Dad did \$50,000 gross."

Now the business is 10 times that big! One of the reasons Bob does over half a million a year is the way he services what he sells. Doesn't just repair a piece of machinery, he *rebuilds* it. Won't do just a "patch" job for love or money!

There's a pretty sizable plant today. About 11,000 square feet in the shop and the store, plus



3 warehouses, 9 employees and \$150,000 or so in stock on hand. What do you do about protecting an operation like this?

Here's what Sentry does: we cover Bob's buildings for fire—and save him \$105 a year on the general rate. Cover the contents and rolling stock—at \$180 a year saving. There's another \$200 a year saving on public liability. \$15 on accounts receivable. \$40 on

business interruption. Add to those savings \$150 on business life insurance, \$240 workmen's compensation and you have a total of: \$930. All saved. For Bob Burkett. By Sentry.

It's no mystery how it's done: the Sentry man knows his business. Knows *Bob's* business, too. And helps Bob run it so his insurance costs are cut.

Maybe we could help U.S. Steel the same way we help Bob. But right now we can't find out. Even though we do over \$135,000,000 a year, if we took on giants like U.S. Steel—we simply wouldn't have enough good people to go 'round. Couldn't give the right kind of service to Bob Burkett. And you.

Perhaps you'd like to lock-up nights feeling safe, cut out a lot of worry, and save yourself some money into the bargain.

The Sentry man might be able to swing those things for you. Why don't you call him? He is in the Yellow Pages. Don't forget, to him, your business is "big" business!

SENTRY INSURANCE

the "small" business that got big serving "small" business.

...we're only sorry
we can't do it for U.S. Steel.

forget

what you knew about fences

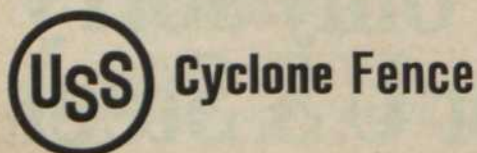
You used to have a limited choice: the greater strength of galvanized steel chain link fence, or the greater corrosion resistance of aluminum fence. But now a remarkable new kind of fence has both.

USS CYCLONE Steel Fence—Aluminum-Coated combines the strength of steel with the corrosion resistance of aluminum. Gage for gage, it is 50% stronger than all-aluminum fence. The coating will last 3 to 5 times longer than the coating on galvanized steel fence. And you get this longer life without the problem of painting.

No other chain link fence will cost you less per year than **USS CYCLONE Brand Steel Fence—Aluminum-Coated**. Contact the **USS CYCLONE** Fence representative or the U. S. Steel Sales Office in your area. Or write to United States Steel, Room 8317, 525 William Penn Place, Pittsburgh, Pa. 15230. **USS and CYCLONE are registered trademarks.**



This mark tells you a product is made of steel.



EXECUTIVE TRENDS

continued

plimentary, judging from responses to the survey of secretaries in such fields as investment banking, advertising, textiles, philanthropy.

Secretaries saw these shortcomings in their bosses: failure to delegate effectively, tendency to play favorites among junior executives reporting to them, bad manners, time-wasting—to name a few.

The survey was conducted by Bing-Cronin & Leonard, Inc., a New York employment agency. Bernice Jennings, the firm's president, says that while some of the observations may be colored by emotional reactions, there could be an object lesson for businessmen in the fact that so many women feel they could do more to help their bosses if they were only given the chance.

• • •

If you're the weight-watching type, here's a tip you could try at your company.

At the Prudential Life Insurance Company's executive dining rooms the daily bill of fare comes complete with a calorie estimate on each item offered.

Some examples from a recent menu: Meat loaf, Italian style—210 calories. Poached halibut, lemon wedge—180 calories. Chicken chowder—150 calories. And hold onto your belts: Egg salad bowl—415 calories.

• • •

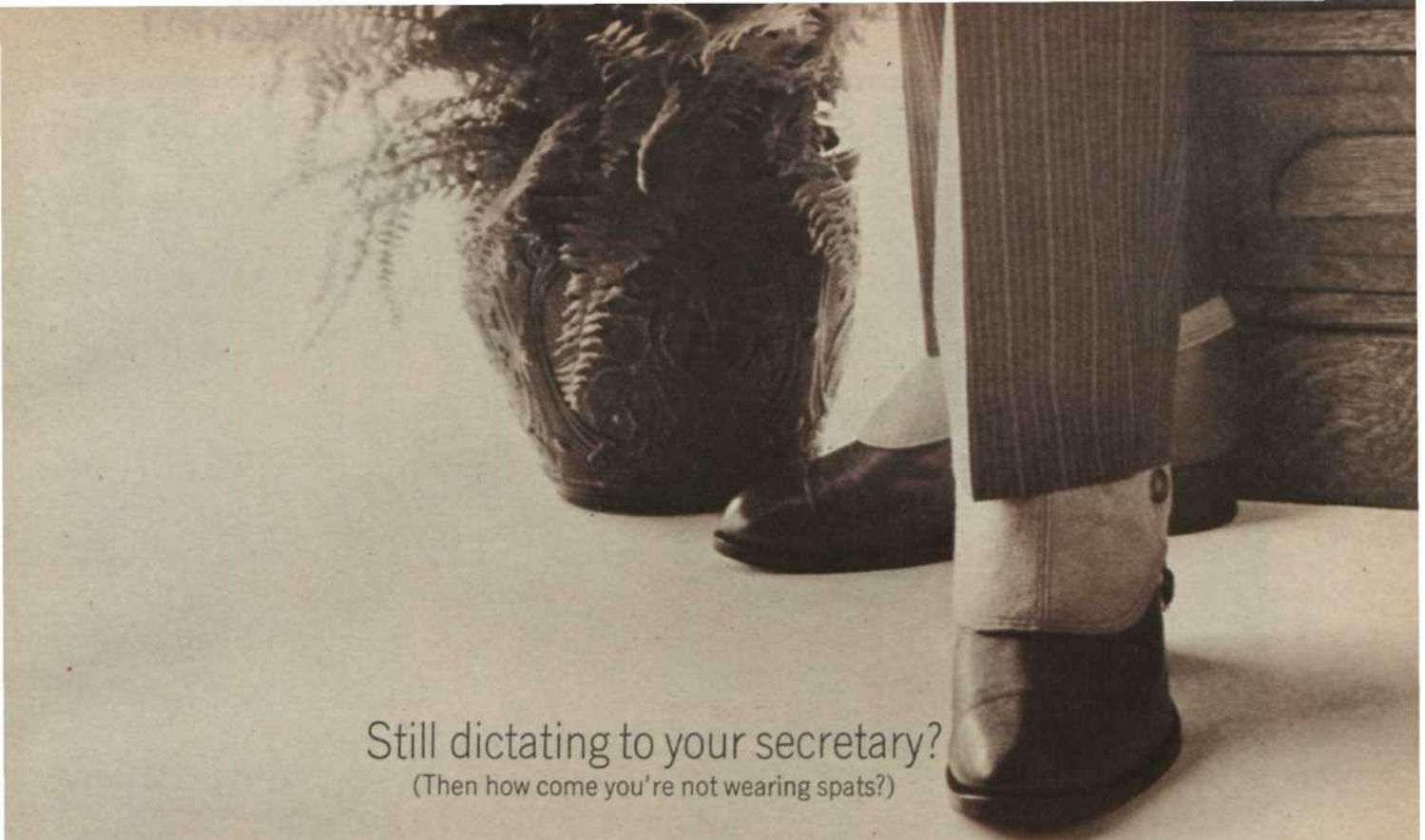
Are your own employees giving your business a bad image?

If you're having trouble landing good people you might check the personalities of your top people. It could be they are giving job applicants a terrible first impression of your business and the people working in it.

That's the advice of Rawle Deland, a partner in Thorndike Deland Associates, which claims to be the world's oldest executive recruiting organization.

Mr. Deland finds today's executive job-seekers less influenced by the compensation features of a new job than they are by what they often term the "opportunity to work with good people." He points out that in a booming economy salary offers are often similarly high, so the human factor can be a deciding one.

"After all," he continues, "most men spend more time with their



Still dictating to your secretary?

(Then how come you're not wearing spats?)

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Dictating to a secretary ties up two people. Stops work at her desk. Restricts you to her availability.

Both you and your secretary will

get more done with the new IBM® Executary® 224 Dictating Unit.

When you use the 224, your secretary is free to do other work for you. And when she's out, it's there to help clear away paper work.

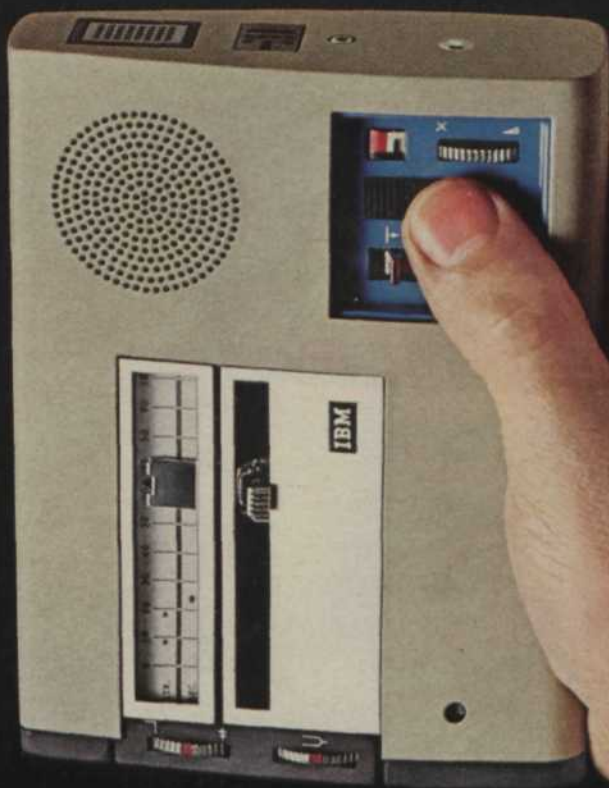
The handy 224 works at your desk.

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Let your IBM Representative show you how IBM Dictation Equipment can make the most of your time.

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We try to make things easier for you from the minute you start out to select the right truck for your job. For instance—almost every size and type of truck can now be found in the long strong Chevrolet line. Pictured at left are some of the models that make up the widest selection of covered delivery trucks on the market. And there are 18 pickups to choose from, and big trucks ranging from city delivery vans to brand-new over-the-road haulers rated at 65,000 lbs. GCW. This broad range of equipment makes model selecting much simpler.

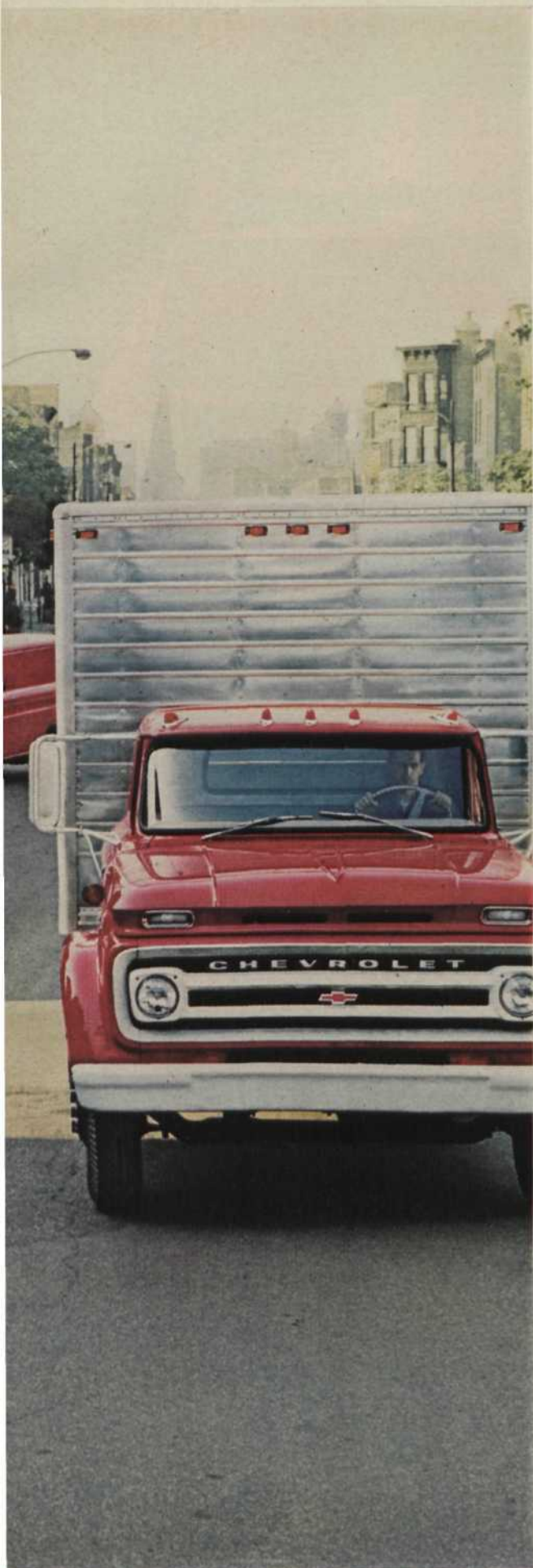
And once you become a Chevy truck owner, lots of things become extra easy. The ride is one of them. A Chevrolet light-duty truck rides almost as smooth as a car. You should try it for yourself, and get to know some of the other Chevrolet features that help make hard work easier. Like the easy-to-get-into-cab with the comfortable seat and the low ground-to-floor heights that make loading less of a strain.

Also, truck maintenance is usually less troublesome with a Chevy because there are plenty of places to go when you need parts or service—almost 7,000 dealers coast to coast.

Despite all this, Chevies are always competitive in first cost and exceptionally valuable at trade-in time. If you work hard and want to take it a little easier, just see your Chevrolet dealer. . . . Chevrolet Division of General Motors, Detroit, Michigan.



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Friden announces on-line capability for the world's most versatile automatic writing machine.

The 2201 FLEXOWRITER* automatic writing machine by Friden can now talk with computers.

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And the 2201 is *versatile*. Input can be punched paper tape, edge-punched cards, or manual entry from the keyboard. Output can be in the form of a printed document, punched paper tape, edge-punched cards, or the hard copy along with one of the punched media.

We call this new system the 2201 Data Transmission

Network by Friden. With it you can transfer data anywhere in the world. Data can be entered directly into a central processing center for updating and storage. And information from a central processing area can be fed back to any plant or office.

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For full details call your local Friden office. Or write: Friden, Inc., San Leandro, California. Sales and service throughout the world.



2201 Data Transmission Network by Friden

EXECUTIVE TRENDS

continued

working associates than they do with their own families. They want to look forward to working with people of warmth, sincerity and integrity in any new job they might be considering. The gruff, crass manner of some people seen by applicants can drive good prospects away."

• • •
The "Zero Defects" drive is picking up momentum.

The term was coined by firms in aerospace and other fields to rivet employee attention on the competitive need for excellence in product and service quality.

Now the campaign is being emulated by other businesses.

The American Management Association reports a recent flurry of inquiries on quality-improvement programs.

Other high-interest subjects on which companies seek more information, judging from inquiries to AMA's Management Information Service:

Long-range planning, plant location, cost-cutting and electronic data processing, which is of growing interest especially to smaller companies.

• • •
Executive intelligence: Planning to give your customers good-will gifts this Christmas? New study by Specialty Advertising Association finds upswing in gift-giving by companies in less-than-\$5 million annual sales bracket. . . . Last year American companies lost more than \$4 million a day through employee thefts of cash and merchandise. . . . Here's another big cause of dollar loss to business—sales-force turnover. According to one new analysis, it's costing manufacturing firms more than \$600 million a year to recruit, select and train sales replacements. . . . Continued bounce in spending for new plant and equipment is bringing corresponding increase in demand for executives in engineering, science fields, one recruiting firm reports. . . . Research project slated for completion late next year will throw new light on why urban residents move to suburbs, why some prefer downtown over suburban living; study is being conducted by University of Michigan research team under sponsorship of the federal Bureau of Public Roads.

Father Louis Pisano, P.S.S.C. All Souls Church (Address on request)



While Father Pisano was being photographed, his FH could have folded one-half of his weekly bulletins—

A busy man, Father Pisano was in a hurry while getting his picture taken. The session took about 12 minutes. In that time, his Pitney-Bowes FH could have folded one-half of the 1800 copies of the four page parish bulletin he multiliths and distributes to parishioners every week. "This little folding machine saves hours of hand folding. The FH reduces time and work on a job that must be done every week," he reports. A Pitney-Bowes FH office folding machine can double-fold 80 pieces a minute. With manual feed, it costs less than a standard typewriter—little more

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Why pay extra for stuff that's standard equipment on a Volkswagen?



This may be LBJ's Achilles' heel

BY PETER LISAGOR

IN THE INBRED environment of Washington, President Johnson's credentials as the master politician of his time would appear to be unassailable.

The last two Republican presidential candidates, Richard M. Nixon and Barry M. Goldwater, have generously recognized the skills that permit Mr. Johnson to embrace Mississippi's James Eastland and Harlem's Adam Clayton Powell without offense to either or to preside over a White House dinner at which the likes of Big Steel's Roger Blough and Labor's George Meany toast him as one of the best friends of management and labor to sit at that particular table.

Other would-be critics have conceded that the President has been shrewd, resourceful and highly effective in his relations with the Eighty-ninth Congress, whose prodigious output is acknowledged.

The accord he has struck also with racial and ethnic groups, in the name of consensus, has been harmoniously maintained. In a town that's a sucker for instant legends, it's a little hard at times to know whether the occupant of the White House is Lyndon Johnson or Paul Bunyan.

Yet there are a few souls in this impressionable capital bold enough to suggest an Achilles' heel. They are not at all certain the President is as invincible a politician on the national scene as generally supposed, or as the 1964 election would tend to suggest.

Their chief contention is that he has ignored thus far the plight of the Democratic Party in some of its former strongholds—the populous industrial states of the North with their fat electoral vote totals, where the Democrats have traditionally prospered. To describe the party in those states as being in disarray is to apply an inadequate cliché.

New York, for example, is so factionalized that one is reminded of the era of Chinese warlords; even so gifted a political operative as Sen. Robert

Mr. Lisagor is the White House correspondent for the Chicago Daily News.

F. Kennedy moves around the state as if traveling in guerrilla-infested territory.

California is riven by a vendetta between the governor and the speaker of the state assembly.

In Pennsylvania and Michigan, Democrats have been living, after a fashion, under the viaduct, eclipsed and dispirited by Republican governors with records of progressive and efficient administration. A comparable condition exists in Ohio.

This is an anomaly of striking proportions. For, a year ago, LBJ was elected by an historic majority, sweeping into office with him an overwhelmingly Democratic House and Senate (some grudging observers attribute the Great Society's legislative



Democratic Party problems at the city, state level soon may command more attention from President.

accomplishments more to the lopsided margins in Congress than to the reputed wizardry of the President). Secure Republican seats were wiped out in the flood. Presidential power, prestige and influence soared impressively. Mr. Johnson stood on Mt. Everest, and one might have imagined him snapping his fingers and ordering all party feudists to penance and peace.

Instead, the President took little or no interest, either directly or by proxy, in these state or local

TRENDS: WASHINGTON MOOD

quarrels. He drew the parochial cloak of Washington about himself and turned those vast energies to his legislative agenda. The politics he chose to practice was congressional politics.

Mr. Johnson could not be expected, of course, to arbitrate his party's problems; Presidents operate above these time-consuming negotiations. In the normal course, his agents at the Democratic National Committee attend to the task of pacifying the provinces. But no effort was made, in the months following the election, to overhaul the committee or to reshape it in the LBJ mold. Squabbling Democrats knew no one in Washington who spoke for the President in a political sense, to whom they could turn for succor or mediation.

The Committee did not wither altogether in this void, but it became more of a service bureau than a mouthpiece for the President.

The President's apparent disinterest in the fortunes of his party on the state level is not a by-product of arrogance or self-centeredness, say his supporters. He inclines toward one objective at a time, they argue, and moves toward that with his own sense of rhythm and timing. The legislative program was all-important and all-consuming. Now, as time permits, they insist, he will bend his mind and energy to the political necessities.

• • •

Observers with somewhat more detachment about LBJ's talents believe that he is loath to intervene in the big northern states for other reasons. Many have heard him say that one politician shouldn't intrude in the domain of another, and quote his mentor, the late House Speaker Sam Rayburn, on the perils of such intrusions.

This is an acceptable gambit in primary campaigns when a national figure avoids choosing up sides so as not to alienate one faction of his party. But the time comes when, privately or by some unmistakable public gesture or sign, the President can resolve damaging differences that threaten in the end his own prospects of re-election, or at least should try.

Politicos recall only too well that John F. Kennedy went to Texas in November, 1963, in order, among other things, to attempt to patch up a feud between Gov. John Connally and U.S. Sen. Ralph Yarborough, which might have endangered the national ticket the following year.

Although he admires Franklin D. Roosevelt more than any other politician of his time, President Johnson has not tried to emulate FDR in the business of healing political wounds, dealing with state and city bosses. One reason cited for it is that he feels he doesn't understand big-city politics, and with the exception of Chicago's Mayor Richard J. Daley, is an alien among its northern practitioners.

A man who graduated *summa cum laude* from Texas politics shouldn't be bugged or intimidated by how the game is played anywhere else in the world.

Yet Mr. Johnson appears to be. He has relied, both in New York and California, on men he knew on various Senate committees, men who themselves are something of strangers in the political clubhouses of New York and Los Angeles or San Francisco.

If one of the most powerful Presidents in recent history has been unwilling to lend his voice and influence to composing the differences of Democrats in the two biggest states, he has been blessed by the fact that the Republicans are almost equally troubled by divisions and power struggles.

The G. O. P. dilemma may be the greater, in fact, because it has been created, in large part, by ideological dislocations.

The 1964 effort to offer a conservative alternative proved fruitless, and party leaders in Congress have been unsuccessful in writing a constructive opposition record on which state and local candidates might stand in the 1966 races. With no man of the stature of an Eisenhower in the immediate offing, the Republicans are obliged to probe the Great Society for vulnerable spots, for inherent weaknesses, if any. Their problem is compounded by apparent popular support for the welfare-minded thrusts of the Johnson Administration.

G. O. P. hope centers on the prospect, not altogether fanciful, that the far-reaching programs might strangle on bureaucratic incompetence or red tape. But this is a negative strategy at best and therefore defensive and uncertain.

The Republicans really cannot be comforted by LBJ's delay or indifference in the matter of conciliating Democratic feudists. Vice-President Hubert H. Humphrey has tirelessly attended fund-raising affairs for the national party, undoubtedly soothing such ruffled feathers as he has encountered along the way.

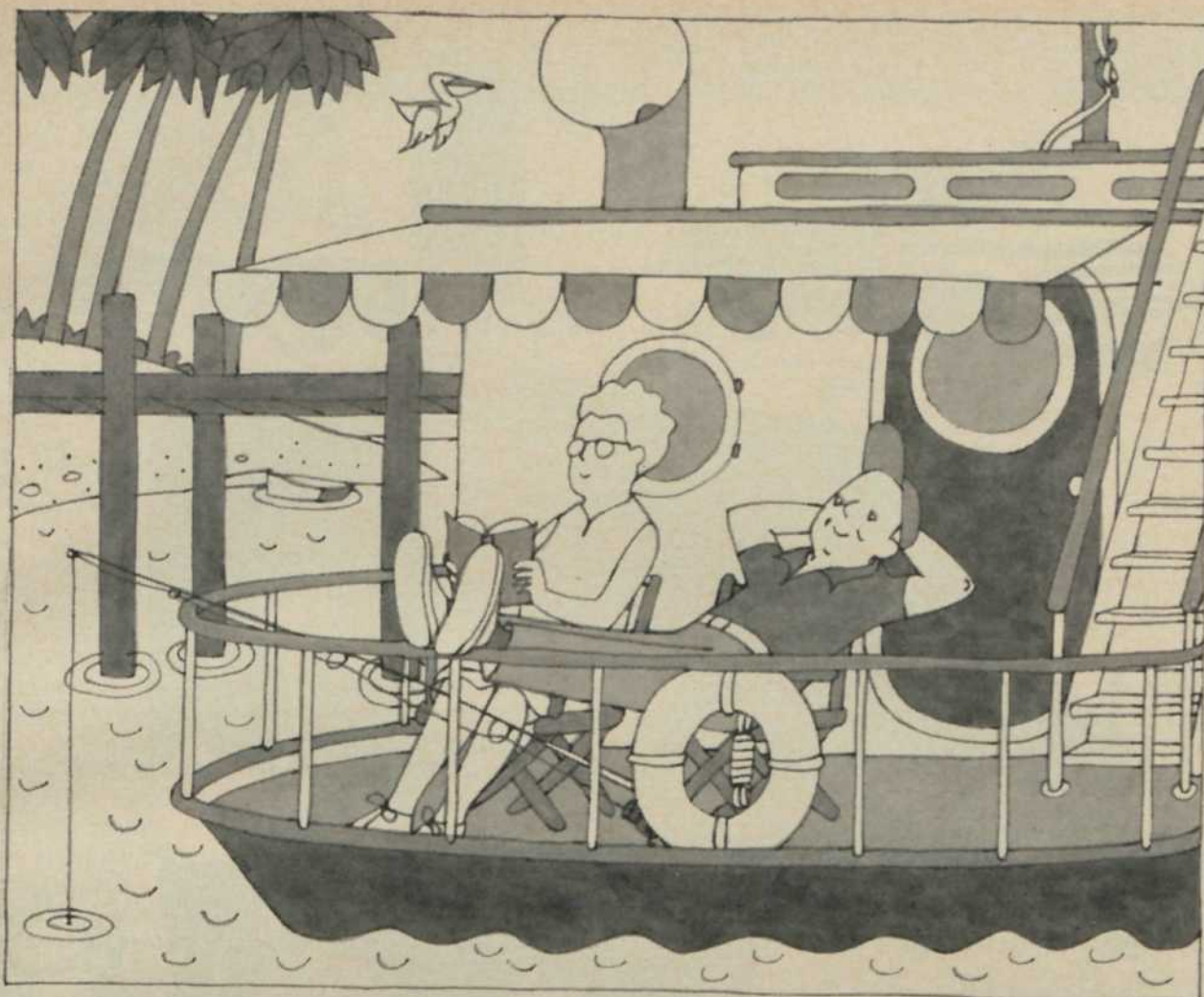
It's not the same as having the President at ringside, but it's not a zero either.

Furthermore, Mr. Johnson has added to his Cabinet as Postmaster General one of the most knowledgeable political operators in the Democratic Party, Lawrence F. O'Brien. Larry O'Brien, fresh from his triumphs as White House chief of congressional relations, may not be pressed into the political battles with trumpet blasts. But if he's confined to sorting mail and justifying the post-office budget, it will be the biggest surprise of the century.

• • •

Mr. O'Brien knows the boys at the county seat level of Democratic politics. He became acquainted with them during the 1960 Kennedy campaign, and he renewed the ties in 1964, when he fanned out across the country as LBJ's chief political agent. He may be the man LBJ has chosen to knock heads together and try to salvage from the chaos in several of the big states a party leadership capable of restoring Democratic dominance.

In the light of the predominant Democratic position in Washington, this might seem to be the ultimate in political selfishness. But since when has politics been a selfless pursuit?



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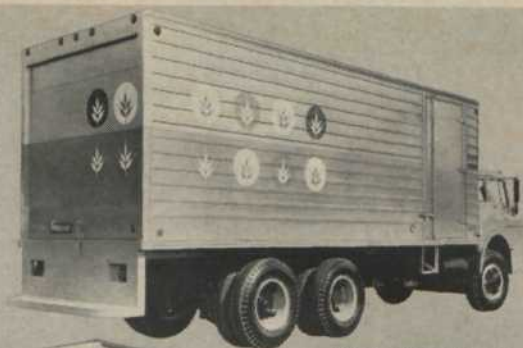


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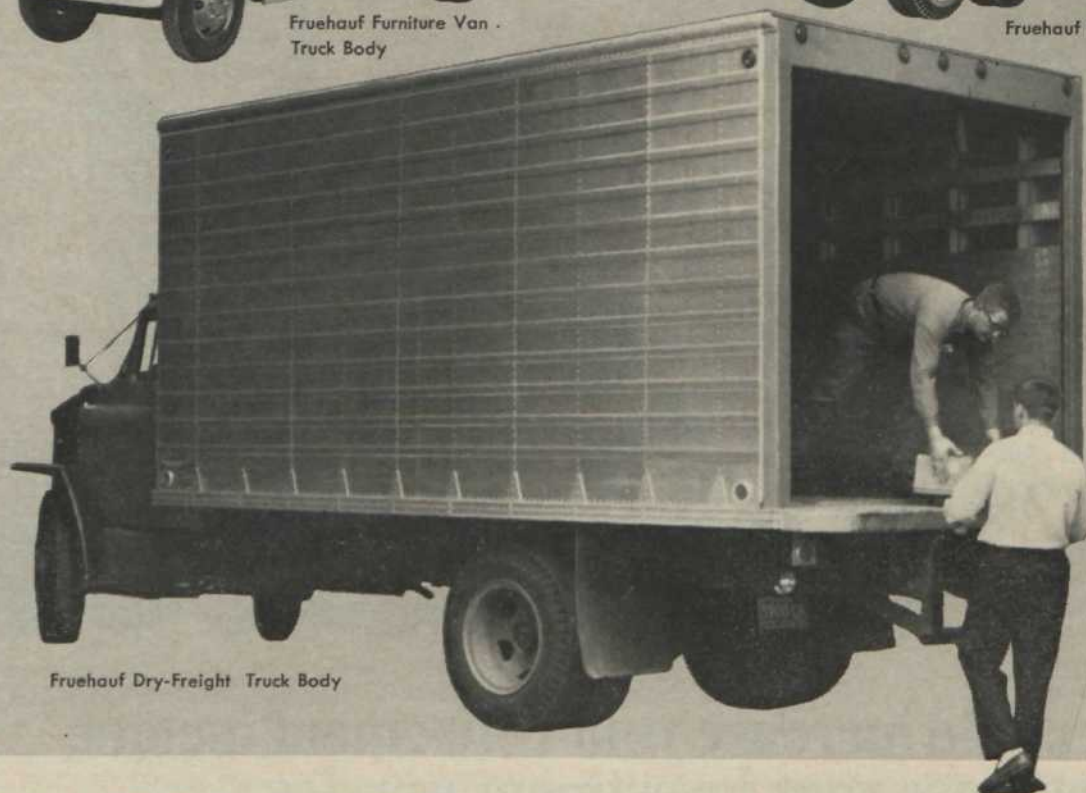
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Enterprise is secret weapon in new Battle of Britain

BY FELIX MORLEY

COMMEMORATION of the "Battle of Britain," in London this Autumn, has had symbolic overtones. The protracted twenty-fifth anniversary of the Nazi effort to bomb England into submission coincides with a more insidious demolition of Britain's commercial strength. A different type of sacrifice is demanded, though it will take as much fortitude to save the pound as was necessary to resist the Luftwaffe in 1940.

Intricacies of the balance-of-payments problem are rarely understood. But no English housewife can be indifferent to current inflationary pressures. Already this year the cost of living in England has risen by almost four per cent. The general price increase, since my last visit here three years ago, is the more apparent because the \$2.80 exchange value of the pound is artificially maintained.

Whether British currency will have to be devalued again, under inflationary erosion, is an issue of the greatest moment for the entire western world. The possibility is viewed as disastrous by all but the handful who speculate on the future value of gold. Sterling is therefore currently propped up by intricate and increasingly top-heavy international credit arrangements.

In Britain itself the hard-pressed Labor Government insists that there must and will be no devaluation. The decision, however, actually rests in the hands of the British people. Will they sacrifice leisure and luxury in a manner comparable with the endurance shown when they alone stood off the German onslaught a quarter-century ago? The answer is less clear because inflationary stimulus, in its present stage, gives a deceptive impression of general affluence and ease.

To probe the problem one must first consider what has happened to Britain's one-time commercial su-

Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.

premacy. This overpopulated island, with practically no natural resources other than coal, forged to the front primarily on its business skills. For over a century it has had to import most of its food and raw materials. The trade deficit, broadly speaking, has been made good by shipping, banking and insurance services. These invisible exports made sterling a strong currency, encouraging overseas investment which, in turn, brought back additional wealth.

But after two world wars the empire as a trading unit is largely gone. Ships and planes of a dozen other nations compete actively for the transport of even British goods. International finance no longer centers in London and the pound has ceased to command respect. Much overseas investment has been liquidated and enforced economies have helped to prevent modernization of plant.

Change for the worse has coincided with the triumph of socialistic theory which emphasizes the distribution and not the production of wealth.

Beneath a prosperous surface this welfare state is almost bankrupt. From the factors some conclude that economically, as well as politically, the sun has set upon the British Commonwealth of Nations. As it could not just recently keep peace between India and Pakistan, so it cannot expect to dominate these former markets. As it cannot control the policies of remaining colonies, like Rhodesia, so it cannot profit from past investment there. Britain, say the prophets of doom, is becoming "another Spain, with an inferior climate."

Before underwriting that conclusion one should leave sprawling London and travel about "this green and pleasant land." In many places and undertakings one will discover that individual initiative is by no means dead; that the spirit of the old merchant adventurers still flourishes, and that the second Battle of Britain is as yet by no means lost.

It is not merely the exporters of whisky and woollens, the Cunard Line, the manufacturers of sword-edged razor blades that are earning large amounts of foreign exchange. Others with less fa-

TRENDS: STATE OF THE NATION

miliar names are also doing rather more than their bit.

The old university town of Oxford naturally has bookstores set amidst its dreaming spires. One such shop, where a deceptively modest façade faces a group of Fifteenth Century buildings, is outstanding. It is B. H. Blackwell, Ltd., now ringing up sales of several million dollars a year, of which two thirds are exports, almost half of these to the United States.

How Blackwell's, founded in 1879, attained fortune is a business saga in old-fashioned style. At the age of 13, Benjamin H. Blackwell started work for a shilling a week, as a bookseller's apprentice. Though self-educated he was a natural scholar who soon knew far more about the wares displayed than most of the undergraduate purchasers. After nine years of selling, young Blackwell borrowed the money to open his own store, so small that when it had more than two customers at a time the proprietor had to step into the street. From this developed the practice, still observed, of encouraging visitors to browse at will among the crowded shelves, unaccosted by any clerk until they ask for service.

The total absence of high-pressure salesmanship is cited with two other factors as explanation of the firm's phenomenal success. The positive slogans, in the words of Sir Basil Blackwell, the present proprietor, are "Infinite Pains" and "The Day's Work That Day." To illustrate the first he introduces an assistant whose sole duty is to track down copies of rare and forgotten books for which inquiries continuously come in. The second maxim is emphasized by Sir Basil's practice of coming to his closed store on Saturday afternoons, with only two of his 470 employees at work, in order to make sure that the decks will be clear for Monday's business.

Rhodes scholars, established at Oxford since 1905, have certainly helped to make the Blackwell business worldwide. Many of them, returning to the U. S. or British dominions, have encouraged librarians, public and private, to stock their shelves from the source they learned to love as students. In the developing African republics most of the new universities use the Oxford firm, now also a publishing house, as a major source of book supply. As the native technicians take over, their reliance on English professional publications has increased.

From Oxford to Birmingham is a cross-country journey to Britain's second largest city, where the highly mechanized plant of the British Cocoa and Chocolate Co. stands in the park-like surroundings of suburban Bournville. When Queen Victoria died the parent firm of Cadbury Brothers employed fewer than 3,000 workers, with annual sales a little over \$5 million. Today the company payroll approximates 31,000 and sales for 1965 will probably total \$300 million, which of course is not the dollar of 1900.

Of this sizable income nearly one third is now provided by overseas subsidiaries, in various parts of the

British Commonwealth, and to a lesser extent by direct export from Great Britain. The proportion of the latter to the United States is small, but steadily growing. A recent development is the establishment of a factory in West Germany, to take advantage of increasing candy consumption in the Common Market countries.

Like Blackwell's, the history of the Cadbury firm is one of continuous growth. In 1820, John Cadbury had a small tea and coffee shop in Birmingham. He added cocoa as a sideline and then, with his brother Benjamin, began the manufacture of candy. Five generations later seven out of 14 directors, each personally responsible for a section of the business, still bear the name of Cadbury. Governmental regulation, especially in wartime, has been irksome, but has never materially interfered with family control.

The number of family operations of this hard-driving type remains surprisingly large for a country generally regarded as strongly socialistic. Hiring a car at a large garage in the seaside resort of Exmouth, I chatted with the young sales manager, now training for direction of the business. "My grandfather," he told me, "ran a livery stable here. In 1914 the government commandeered all his horses. The War Office didn't know the horse was on the way out, but Grandpa did. So instead of weeping he started this car business with the requisitioning money. None of his horses ever returned from France, but it was to Miller & Son that you were directed."

These illustrations suggest that energy, foresight and business acumen are intangibles which merit consideration in any evaluation of the British balance-of-payments picture. Although a Labor government is precariously in power, the tide of sentiment for nationalization has ebbed and faith in the free market grows stronger.

"Competition in the chocolate industry has always been intense," says Paul S. Cadbury, who, at 70, is retiring as board chairman in order to make a personal inspection of the company's facilities in four continents. "Only the full blast of free competition can really test our efficiency, and it has been our policy to work for this condition."

British productivity, as a whole, is lagging. Imports far exceed exports, and inflationary forces are clearly stronger than the measures currently directed against them. Income from tourist expenditure is offset by increasing British travel abroad. Yet the pound, this Autumn, has gained in value, as those who gambled on imminent devaluation know to their cost. Much of the credit must go to a commercial know-how which English mannerisms tend to conceal. But the underlying skills are operating, from the subtle exploitation of Shakespeare, at one end of the scale, to that of the not-so-naïve Beatles at the other.

"Never . . . was so much owed by so many to so few." This was Winston Churchill's deathless tribute to the Royal Air Force in the dark days after Dunkirk. If the less dramatic battle of the pound is to be won during the months ahead, a similar tribute will be owing to English business leadership of the old competitive type.

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Standard of the World  *Cadillac*

UNION TACTICS STALL JUSTICE 13 YEARS

A LOT CAN HAPPEN to you in 13 years.

More than five million businesses were born in the 13 years between 1952 and 1965 and more than four million died. Our nation has fought two wars, had four Presidents and practically learned how to send a man to the moon—all in the past 13 years.

But, if you were in the shoes of short, black-haired businessman Carl E. Schultz of Benton Harbor, Mich., it might seem that time had strangely passed you by.

His business has been entangled in an unbelievable legal maze. In all this time, the foundry company Mr. Schultz heads—Benton Harbor Malleable Industries—has been unable to get a final court decision in what might seem a simple attempt to collect damages from a union.

The company's \$6 million suit for breach of a no-strike contract against Walter Reuther's powerful United Auto Workers union and one of its locals is now facing trial for the second time, more than 13 years after it was filed in mid-1952 after a series of wildcat strikes. After that will come appeals by the loser and possibly other legal maneuvers and fancy footwork.

The Benton Harbor battle makes even the well known marathon Kohler Co. strike and ensuing legal battle—now 11 years old—short by comparison.

So long has the case strung out that it even seems to be trying the patience of the judge handling the case, W. Wallace Kent, chief judge of the U. S. district court in Kalamazoo, Mich.

"This case was commenced in this court on June 24, 1952, some years before the writer became a judge of the court," Judge Kent wrote in denying some legal motions earlier this fall. "... Over a period of many years, there have been extensive pre-trial proceedings in the nature of discovery, motions to strike portions of the pleadings, motions to limit the proofs and other such matters, all of which were heard as expeditiously as possible. . . ." Granting of

the requested motions, the judge declared, "would require so much time that necessarily there would be prejudice against both parties."

Thus in a weary cry against the interminable delays in one case does a respected jurist point up what is a frustrating, often life-or-death problem for American business: how to get justice against union legal maneuvers and built-in delays in our judicial system.

Actually, as businessmen are well aware, it's never a simple matter for an employer to win any legal complaint against unions. Disputes that come before the National Labor Relations Board in particular are heavily weighted against business by the slant of today's NLRB majority and staff. (See "Who Runs the Labor Board?", NATION'S BUSINESS, September 1965.)

Nor is the businessman's right to a speedy trial necessarily more attainable through the courts—as the Benton Harbor company's legal battle demonstrates. A frustrating series of delays, brought on by built-in slow-downs in our legal system and made more acute by the rising volume of lawsuits generally, has all been played upon by union lawyers.

Such delays can mean the patient dies before the doctor is able to get there. Well aware of this danger, many if not most employers drop such suits as the price of a union's signature on a labor pact that's usually highly favorable to the union bosses.

"You'll die before it ends"

Indeed, Mr. Schultz, president and controlling stockholder of Benton Harbor Malleable has testified United Auto Workers representatives told him he would never live to see the suit come to trial.

"This company was forced to succeed and grow despite the union's attack in order to get its case heard," Mr. Schultz declares.

A rough enough problem for big concerns, the delays for modest-sized companies such as Mr. Schultz's and for those even smaller can mean harassment. The

UNION TACTICS

STALL JUSTICE 13 YEARS

continued

simple problem of legal costs can strap business treasuries. Malleable estimates the 13-year fight has already cost it \$200,000 in legal fees alone, part of which has been ruled nondeductible for federal income tax purposes by the Internal Revenue Service.

On the other hand, big international unions such as the UAW have enormous resources in money, time, attorneys and, when necessary, political influence on their side. They can almost always afford to play a waiting game.

The hair-tearing frustration over union use of the courts even extends to the federal government itself. The Justice Department has been trying for years with only incomplete success to put James R. Hoffa, boss of the Teamsters Union, in jail on a variety of criminal charges. After a string of acquittals and legal backing and filling Mr. Hoffa finally was convicted of jury-fixing and defrauding the Teamsters' pension fund only to have his attorneys accuse the judge, jury and other officials of having contact with prostitutes.

The real loser

Perhaps the biggest loser in the obfuscation and dawdling of justice is the community itself, a reality to which unions seem especially oblivious.

In Benton Harbor, the community's loss is as starkly visible as a bombed-out church in East Berlin.

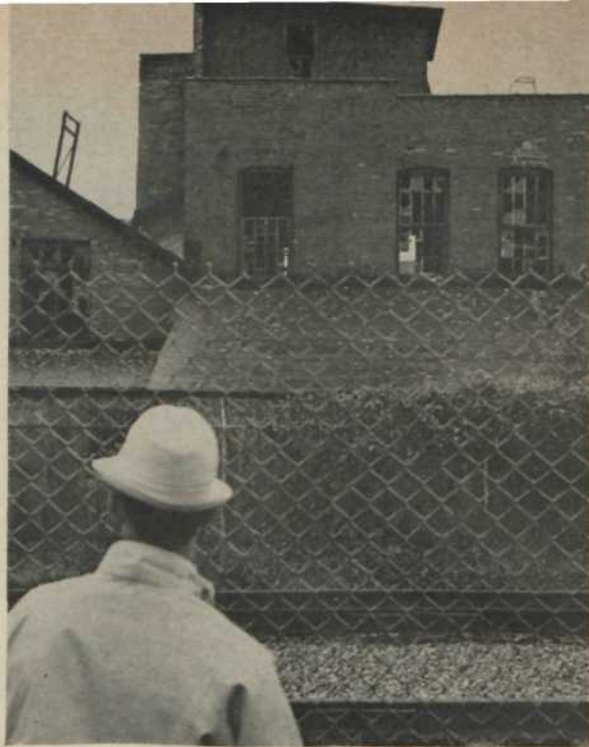
The slumping metal skeleton of Benton Harbor Malleable's old gray iron foundry—picked bare by scavengers, every window broken—stands in the middle of 5 brush-covered acres in the city's industrial area as a reminder of labor strife. The plant employs nobody now, of course, but 13 years ago 230 Michiganders earned a living there.

Before the series of wildcat strikes that led to the drawn-out law suit, Benton Harbor Malleable employed 700 workers in all its divisions compared with only 600 today.

Mr. Schultz, a native of next-door St. Joseph, Mich., and a group of associates bought control of the company in April 1951. After a honeymoon period, the UAW local that represented company workers demanded higher wages and attempted to enforce its demands with slowdowns, spot walkouts and refusals to do various jobs, Mr. Schultz recalls. The resulting cut in production meant lost customers for the company.

After a full-fledged strike when the old labor contract ran out on Feb. 27, 1952, the company and union signed the three-year contract that has become the basis of today's long-standing dispute. Among other things, it included a no-strike, no-stoppage, no-slowdown pledge by the union for the life of the contract; compulsory arbitration of grievances, and a provision that the contract could be reopened for 60 days at the end of one year for discussion of a pension plan.

Despite the contract, wildcat strikes resumed al-



Some 230 men worked in this foundry of Benton Harbor Malleable Industries before strike forced firm to close it in 1952. Now no one works here.

most immediately. By June of 1952, trouble reached such a point that the company fired the members of the local union's plant committee, among others, and slapped a \$1 million breach-of-contract suit on the union. While the suit lay pending in court, troubles eased off during late 1952. But they resumed with a vengeance in February of the next year when, as the contract provided, the union asked for a reopening of the pact to discuss a pension plan. Management contends the leaders of the local union and representatives from the UAW's Detroit headquarters weren't really interested in a new pension plan but in higher wages and cancellation of the \$1 million suit.

When the union bosses struck the company in late April 1963, Mr. Schultz decided to meet the attack head-on. The company announced that everyone who still stayed away after three days of the strike would be considered to have quit. Executives, supervisors and loyal workers attempted to keep production flowing, though at a much reduced rate.

The only choice

As a final step, the company closed down permanently its gray iron casting division.

"It was that or see the whole company go bankrupt," Mr. Schultz says. When the situation finally stabilized, the company was still operating its malleable iron casting division and other sections. Employment had dropped to 200 from 700 and orders began to trickle back in.

The company refigured its damages at \$6 million from the original \$1 million claim. And there the union, which lost the battle of the picket lines, turned to tactics which have stalled solution of the damage suit for 13 tedious years.

What's happened?

Well, a little bit of everything, as you see by scan-



PHOTOS: JAMES MARCHEL

His firm has grown despite a strike which could have killed it and delays in 13-year-old law suit against union, points out President Carl Schultz.

ning Docket No. 2077 in the office of the clerk of Judge Kent's court in Kalamazoo. Be prepared to sit awhile; the docket covers 10 pages and holds over 150 separate entries.

Just filing a suit doesn't automatically mean a trial next week in any court, of course. Lawyers make motions asking for clarification or dismissal or whatnot, often on what seem to the layman obscure points. Sometimes they are. But the judge must read and rule on each motion. Often he holds hearings on them and each hearing must wait for a place on a court's crowded schedule.

So it was in the case of "Benton Harbor Malleable Industries, a corporation, versus International Union, United Automobile, Aircraft and Agricultural Implement Workers of America (UAW-CIO), a labor organization, and Benton Harbor Malleable Local No. 880 . . ." filed June 24, 1952 with the request for a jury trial.

In fact, the unions didn't even get around to answering the points at issue in the case until Dec. 6, 1957—five years, five months and 12 days after the company filed its suit. In the meantime, Walter Reuther's international union with headquarters in Detroit tried to get off the hook by claiming that it wasn't involved and both unions argued that the case should be delayed pending arbitration of other grievances. The unions lost that argument and appealed. But the question went all the way to the U. S. Supreme Court before it was finally settled for the company in October 1956. Only then could the District Court get on with the case itself.

When the unions asked for a bill of particulars getting specific about alleged damage through loss of customers, closing the gray iron casting plant and other steps in late 1956, the company decided to save time by agreeing to the request.

But union tacticians used the bill of particulars to open the door to a whole new preliminary skirmish. This had to do with the important point of how a business establishes the amount of damages it suffered. The union contended in general that each specific loss of business must be documented. But the court ruled that the company could attempt to prove damages by presenting trend lines which showed drop-offs of sales and profits when labor harassment occurred.

When the company requested that Judge Kent consolidate with the damage suit a parallel suit filed in Michigan state courts, the union contested that. The years rolled by and this request made in June 1959 was finally heard by Judge Kent three and a half years later, in January 1963, and decided for the company. The unions asked the judge to assign the case to a special master—a person appointed as more-or-less an agent of the judge, usually to sort out issues and make recommendations in complicated cases. But that lost out, too.

At last, on November 4, 1963, the jury trial began and an end seemed in sight for what was then only an 11-year-old case. Then on Dec. 5, the jury returned a verdict ordering the local union to pay Benton Harbor Malleable \$115,000 and the international to pay \$1,210,000. The unions, of course, asked Judge Kent to overturn the jury verdict or, at least, order a new trial. That's standard procedure.

Short-lived victory

The joy of Mr. Schultz and his management at winning the case before the jury lasted only an uneasy 18 months, however. Then Judge Kent ordered a new trial, and the company is appealing this order. Ironically, the very size of the amount the jury awarded the company from the wealthy international union as compared to the small judgment against the local union made a new trial necessary, the judge declared.

When will the case now end?

Judge Kent seems clearly tired of the matter; he says further delay will only hurt both sides.

The delay doesn't appear to be helping the company, which is watching its legal fees climb and would like to devote the energies spent on fighting the case to other endeavors. Its sales and profits have been rising despite the union's attack.

The one-time UAW local members aren't being helped; few of them came back to Benton Harbor Malleable after the 1953 strike and the company has been nonunion since then.

The city of Benton Harbor isn't being helped while the old foundry eyesore stands; it doesn't seem likely the company will rip it down and put the land to more productive uses until its suit is settled.

Even the Detroit headquarters of the UAW must be getting tired of the dragged-out affair which is costing its bulging treasury sizable amounts in legal fees. But, then, an interminable legal battle in which a small company nearly died in the first place probably makes a useful object lesson for other businessmen who seek to make profits for themselves, provide jobs for workers and make their communities, states and nation better places in which to live. **END**

THE ONE BLACK CLOUD: INFLATION

Why is it starting anew? What will it do to your business?
How can we stop it? Answers come from this top economist

SIGNS of inflation are in the air, an inflation that is buoyed largely by a public attitude government has created. This is the conclusion of Carl H. Madden, director of economic research of the Chamber of Commerce of the United States.

Dr. Madden is a former officer of the Federal Reserve Bank of New York and dean of the College of Business Administration at Lehigh University. He has been a consultant to the U. S. Treasury Department and staff economist of the Senate Banking Committee.

A NATION'S BUSINESS interview with Dr. Madden follows:

Dr. Madden, many businessmen see new signs of inflation in the economy. What is causing it?

There is an upward creep in prices greater than in the previous three years. An important cause is increases in wages. The average wage increase provided by new settlements in the first six months of 1965 was four per cent. And nearly one third of the 1.2 million workers covered by these settlements received increases of five per cent or more, not counting fringe benefits.

In short, the Johnson Administration's "guideposts," limiting wage increases to 3.2 per cent so as not to exceed productivity advances, have been breached.

The classic remedy for inflationary pressures is

monetary and fiscal policy. The government's guideposts were invented to cope with inflation by means other than monetary and fiscal policy. In a sense they represent an attempt by the government to shift the burden of defending against inflation from the government to business and labor.

Is business absorbing these higher labor costs?

Business is absorbing a considerable part of the price increase through the current rapid rise of productivity, spurred by a remarkable investment program which is expected to continue through at least a portion of 1966.

However, the fact that the economy is approaching a full employment level means that competitive pressures on wages are increasing for certain skilled categories and this makes it seem likely that even with rapid productivity increases, business cannot absorb as much of these wage increases as it has in recent years.

Dr. Madden, what influence do increasing federal spending and deficit spending have on inflation?

The federal budget, of course, has an important effect when the government is spending on a cash basis more than \$120 billion a year. If we run a deficit in the budget when we are close to full employment, we are going to have to tighten up on money in order to avoid price rises.

Will the Vietnamese build-up add much to the inflationary pressures?

This is the big uncertainty at present. The real element of concern is how much federal welfare spending plus Vietnamese spending is going to add to our total national spending power next year.

Apart from the actual dollars, is a psychology involved in the inflationary pressures today?

I think psychology is a very important factor in the price upcreep we see renewing itself today. Consumers have stepped up their rate of spending relative to income rather sharply in the current business expansion.

During the years 1956 to 1958, consumers spent only 93.1 per cent of their income after taxes. But in the years 1962 to 1964, the rate was 94.4 per cent. And so far this year, it has averaged nearly 95 per cent.

Why do you think they are spending more?

In my judgment, consumers are reacting to the belief that wages under current government policies are going to continue to rise. So, they are saving a smaller portion of their income and committing a larger portion to spending. I believe that the emphasis this year in Congress on new spending programs for regional development, education, medicare, housing and other areas is going to add to the feeling consumers already have shown.

But Dr. Madden, isn't this higher rate of consumer spending one of the well-springs of the current boom?

One big danger of a definite shift by consumers to spending more and saving less of their income is that we may not generate enough savings in the future to finance the plant and equipment and other investment we need to keep our economy competitive with other advanced industrial economies.

The United States' balance-of-payments problem has benefited throughout the past four years from the fact that prices in this country have risen less than prices in competing countries. If our prices rise more rapidly, we run the risk of worsening the balance-of-payments position and reducing our bargaining power in crucially important international monetary negotiations.

What about inflation dangers domestically?

Yes, I left out the domestic side. The real threat to consumers of steadily creeping inflation is that it undermines the value of life insurance policies and pension rights now held by scores of millions of Americans. It reduces the purchasing power of all forms of savings.

Another factor on the domestic scene is the very rapid rise in installment credit and housing credit. The Federal Reserve officials have been concerned for some time with the deterioration in the quality

of credit. What they are concerned about is the consumer spending psychology we just talked about—to spend and spend on installment and other types of credit, without much concern about the burden of that debt in the future.

The whole key to this question of inflation is one of balance in the economy. To some extent we seek for the short-run extremely high levels of income and spending and employment, but at the expense of weakening our long-run position.

For example, the National Planning Association in a recent study estimated that by 1975, even if we grow at a rate of four per cent a year—that's one percentage point faster than the long-run average growth—we will be \$150 billion short of having the resources to achieve all of our more-or-less accepted national goals.

Our problem in this country is as much a problem of a shortage of investment compared with our aspirations as it is a problem of maintaining full employment. Both problems are important. And the current concern should be in balancing off these various objectives.

What can be done about inflation?

Well, we have the tools to achieve balance in the economy at high levels of employment if we are willing to use them.

One of these tools is monetary policy. But, of course, sound monetary policy must go along with sound fiscal policy. Decisions on the fiscal 1967 federal budget are extremely important. Even in as rich a country as the United States, we can overextend our resources. And the greater danger in the next few years, in my judgment, is likely to be overextending these resources.

Of course, business can help avoid inflation mainly by increasing its efficiency. And it seems to me that the record of business in pushing up productivity and in renewing the stock of plant and equipment has been quite impressive over this record-long expansion.

In the past we have tended to think of an inflationary boom being followed by a bust. When might a bust come?

First, the kind of inflation I am talking about is creeping inflation, rather than an inflationary breakout that might lead immediately to a bust.

However, the danger of ending the current expansion is certainly increased by the prospect of renewed price rises.

If consumers are convinced over a period of a year or so that prices are going to continue to rise because of an expansionary attitude in government, they may very well anticipate a future decline in economic activity by cutting back on their spending and at the same time setting aside some funds for the expected rainy day. This in itself could be an important factor contributing to the ending of the expansion.

END



People are reacting to government policies and spending more, says this economist.

CONNOR

How he works for business

The Secretary of Commerce is seeking a bigger voice for business in government

ONE HAZY MORNING this fall, at ceremonies dedicating a new \$7 million terminal of the Belgian Line on New York City's East River, the presiding officer committed an embarrassing oversight.

In remarks formally recognizing dignitaries on the speaker's platform, he failed to mention the presence of the highest-ranking representative of the United States government: Secretary of Commerce John Thomas Connor.

Minutes later, realizing his faux pas, the official scurried back to the microphone and apologized to Secretary Connor and the large audience.

The incident had appropriate irony. Though "Jack" Connor is basically an unassuming man, he does not want to be overlooked today. He particularly does not want the federal department which he heads to be overlooked.

The Commerce Department long has been the gray orphan of the government's power hierarchy.

But this is changing, and changing fast.

Mr. Connor is out to make his own voice, the Department's voice and the voice of American business not only heard but heeded in the inner councils of government, throughout the nation and around the world.

"As I see it," he says, "our main job is to promote the growth of the economy of the

United States, especially that part involving private enterprise."

In the 11 months since he took office, the 51-year-old former president of Merck & Co., Inc. has made formidable progress.

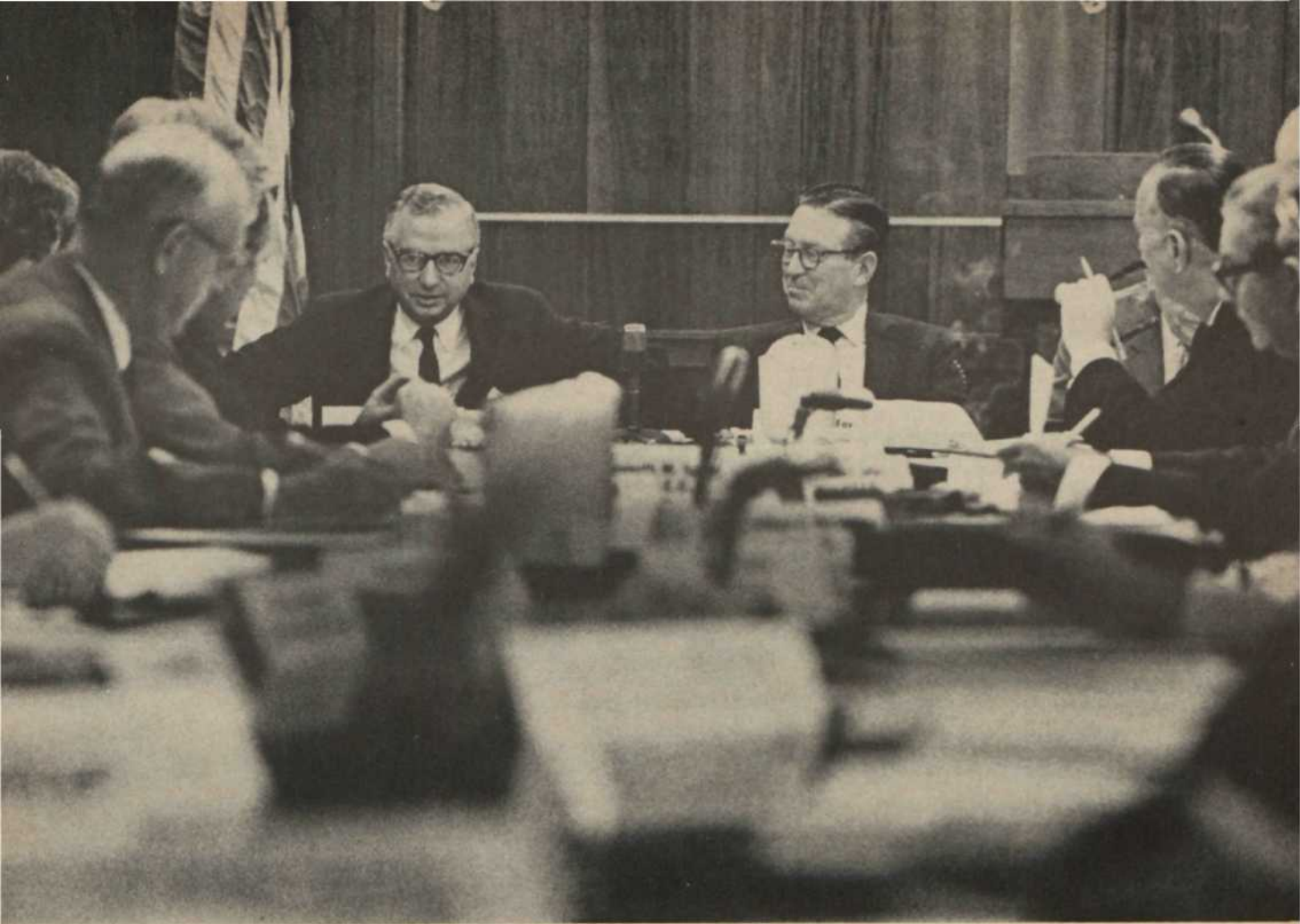
One need only walk through the executive offices of the Department's main building in downtown Washington to sense the change that is taking place.

Where once it went about its business in sedate somnolence, Commerce today operates with a quickened tempo and a new air of purpose.

The Department's key men are on the move and their influence and ideas are being felt with greater impact across the government than has been the case for years. Much deadwood has been cleared, department goals are being re-examined, new talent is being imported and fresh ventures are being undertaken at a pace which surprises even blasé veterans on the capital scene.

The guiding hand is that of John T. Connor, urbane businessman-attorney from New York City and (continued on page 106)

Secretary weighs views of business advisers on export expansion program (top right). He enjoys firm support of President Johnson in his efforts to make Commerce Department a powerful voice of business within government.



EGON WECK



UPI

EXPERT SAYS:
**BUSINESS CAN SAVE
AMERICA'S CITIES**

Here is a blueprint for renewing your community



Larry Smith, the author, has guided the development of projects ranging from construction of a single store to the rehabilitation of entire central business districts of major cities.

His real estate consulting organization, Larry Smith & Co., has offices here and abroad. He is a respected authority on community development. His company's activities in the shopping center field alone reach across the U. S., into Latin America and to Australia and Europe. He is co-author of the book, "Shopping Towns, U. S. A."

THE FUTURE of America's cities—now a matter of predominant public concern—should be of greatest concern to business.

From my career of more than 45 years in real estate and community development, I am convinced that business interests have been and can continue to be the galvanizing force for achieving sound community growth and renewal.

It also has been my experience that although communities across the nation have seized on an almost endless number of approaches to attack the problem, the best solutions must be of local determination.

Moreover, to be really successful, community development should fol-

low a program involving several key steps that are as efficient and logical as any business decision.

But before outlining this systematic program for community development, I should note some of the causes of urban problems. Several trends will likely make the headaches of America's cities even more painful tomorrow:

First, the United States, a relatively young country, still has relatively low-density use of land. Consequently, it is a simple fact of real estate economics that it is cheaper in most cases to abandon property on which buildings have depreciated and move to cheaper land in the suburbs, rather than to replace them with new buildings or to remodel and restore them. But there is only so much land. So we must eventually make the best use of all of it we have.

Apart from voluntary rehabilitation, there has been almost universal neglect in the enforcement of building codes and similar ordinances. The result has been accelerated deterioration.

Second, troubles have been magnified through the transportation revolution and problems of traffic and parking, which continue to worsen.

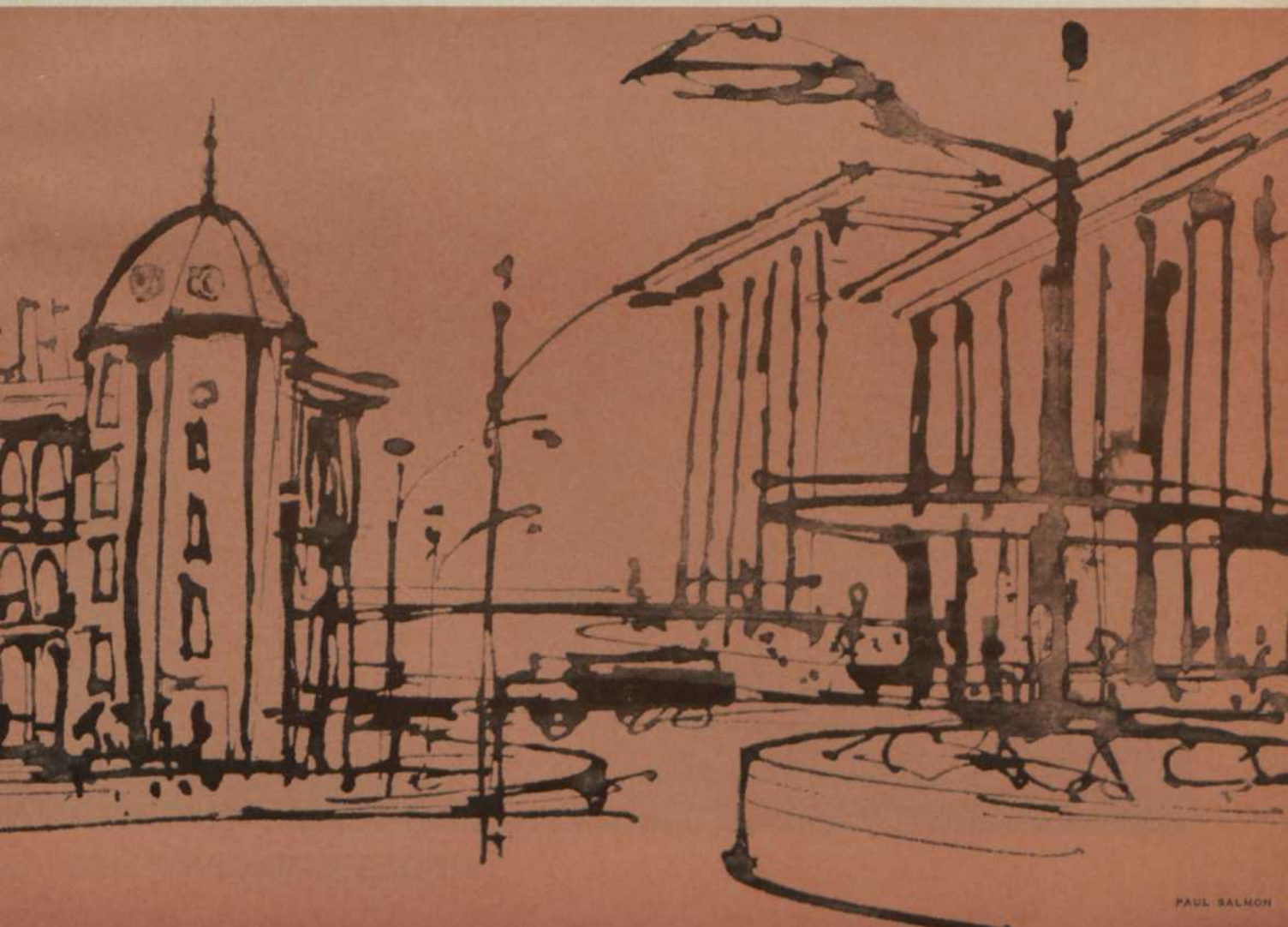
Third, the movement of industry to more efficient plants in the suburban areas has meant less tax revenue for the city. A related financial burden stemmed from the reduction of tax revenues as other business and residential property deteriorated in value at the same time that municipal costs such as policing and fire protection accelerated.

Businessmen have fretted about declining property values, not only in the central business districts but in many other areas while retailers and other segments of the business community were experiencing reduction in business as customers moved to the suburbs.

Concern has risen not only over physical depreciation but also over personal safety of citizens in the cities and loss of community life in recreational, cultural and similar activities. Therefore action of many orders has been called for in almost every community across the land.

A large part of the solution to community problems must ultimately lie in investment of private capital. But it has also been apparent that it is unlikely that private capital will be interested in a majority of cases unless the invest-

(continued on page 50)



BUILDING FROM SCRATCH

A conversation with Howard Johnson,
founder of the famed restaurant chain

What will our next move be? Is he the right man for the job? What's the competition up to? Typical and demanding questions of life in the executive suite. Questions the computers or consultants can't always answer. They take the special wisdom acquired through long years in charge of getting answers and getting results. This is a priceless asset business veterans possess. In this issue, Nation's Business brings you the sixth part of a series: Lessons of Leadership. The series is presenting the accumulated wisdom of respected statesmen of American business told in interviews with Nation's Business editors.

IN A RECENT comic strip sequence a kid asks his pal Hugo if he knows who is President of the United States. Hugo stops gobbling an enormous ice cream cone just long enough to answer:

"Howard Johnson."

Whether or not the Mr. Johnson who lives in the White House appreciates the gag, there's no getting around the fact that in many parts of the country the restaurant chain founded by and named for Howard Dearing Johnson is a household word. It was born in New England in the '20's, spread down the East Coast, crossed the Alleghenies with the Pennsylvania Turnpike in the '30's and is now entrenching itself on the Pacific Coast.

Mr. Johnson is now a well-tanned 68. He is retired and serves only as an untitled adviser to his son, Howard B. Johnson, president and chief executive officer of the Howard Johnson Co.

Recently the senior Mr. Johnson, wearing a navy blue suit and dark blue striped tie, strolled into the company's

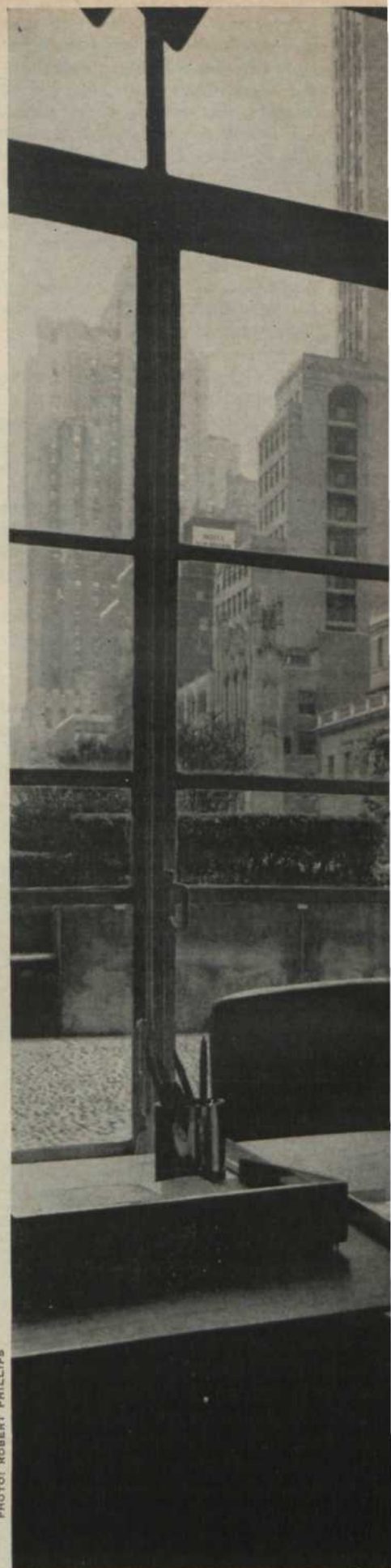
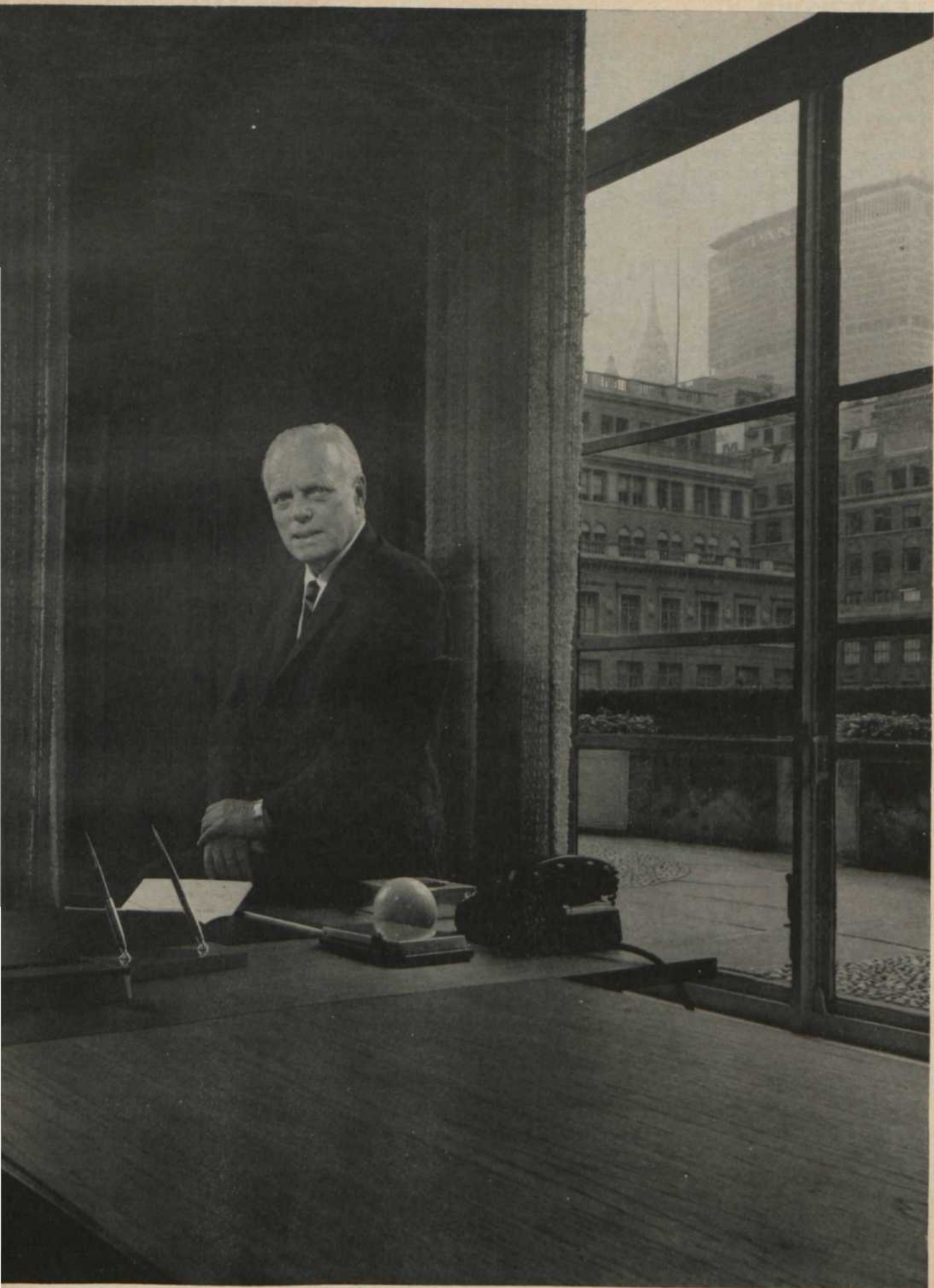


PHOTO: ROBERT PHILLIPS



LESSONS OF LEADERSHIP

continued

New York offices in Rockefeller Center, greeted the receptionist, passed by the crystal bowl of wrapped hard candy for callers, kidded with his son and settled into a conference chair for an interview with *NATION'S BUSINESS*. In it, he tells how he built the business from less than nothing (he was some \$10,000 in debt when he bought his first store in 1925), how the firm almost went under and the lessons he learned along the way.

Mr. Johnson, could you start from scratch today and build the nationwide business you did?

I think anything can be repeated today. But I think it is a little more difficult to get started with nothing today than it was in those days. I started right in the depression. Labor was cheap; everything was cheap, because nobody had jobs in those days.

The country was wide open for new ideas. Everything that I did was on a new basis, you see.

Your mention of the depression being a time of opportunity is a rather different view.

When you start talking about the depression to young people today, they say, "Oh God, you are living in the dark ages." But it happened, when bright people were walking the streets because they could not get jobs. In those days, I sold a great big ice cream cone for a dime, and a frankfurter for ten cents. But I had no overhead, because I could hire kids to handle it. The rents that I paid for little shacks in those days, down along the beaches, were low.

It was new. It was *something*.

Nobody in those days could buy a frankfurter or a hamburger on the highway. Then the people were streaming in. They were streaming in at all hours of the day, buying ice cream and frankfurters and hamburgers. Everybody worked long hours in those days. Nobody thought about 40 hours a week and all that sort of thing.

So it shows that the wheel turns, and there is always that opportunity there somewhere for a fellow who happens to hit on something that works.

If I was at all bright, it was the fact that I realized that I had an idea that worked. And I followed it and kept following it; and I fol-

low the same pattern today, except that we have improved it a lot.

It takes more than the idea, though, doesn't it? A lot of people have good ideas and nothing ever comes of them.

When I was a kid my father used to say to me, "You'll never amount to anything because you won't stick at anything." It impressed me so that I really got stubborn about the thing and I said, "Golly, he's dead now, but I'll stick with this thing and find out whether I'm right or wrong." I could have stuck at the wrong thing, of course. But it worked. It was one of those things that almost overnight started to blossom.

Exactly what was this idea of yours, Mr. Johnson?

Well, when I was about 14 years old I went to work for my father who was in the tobacco business in the Boston area, selling cigars for him.

In traveling around these small towns by streetcars and railroad trains and so forth—and then graduating to a little automobile—I decided that if somebody started some restaurants on the main highways on the edge of towns, they would pull in the highway population as well as the local town, because in those days the local towns had some pretty poor eating places.

So later on in the late '20's and early '30's after I went in business for myself, I tried out the idea. In those days there was practically nothing on the highways except gasoline stations. Everybody thought you were nutty to go outside of a city to do business.

But it worked. And we gradually spread into the national sphere.

Where did it all begin?

Originally, I bought this little periodical and newspaper store in Wollaston, Mass. This was 1925. My father had died. The tobacco business was no good in those days, and I had gone to work in this little store. The gentleman who owned it had the newspaper delivery franchise in Wollaston and he sold cigars and other things.

He dropped dead one day. His nephew, who had loaned him, oh, \$12,000 or \$15,000, asked me if I was interested in taking over the store. Finally, we agreed I could take it over on notes.

I went to work. I used to get up at four o'clock every morning to get the Boston papers and start the boys out on their routes. I closed the store about 10:30 to 11

o'clock at night. In about four or five years I had paid off the notes.

That must have been a good feeling.

Yes, but I began thinking: supposing I lost the newspaper franchise. What would I have? A little country store.

Not having a formal education, I decided I needed some product to put my name on, to build my own name. If I lost the papers, I would have something else going for me. I started looking around this little store and decided on making my own ice cream.

Why did you decide on ice cream?

Well, I had a little soda fountain in the store and I used to buy my ice cream. The vanilla was made with a synthetic flavoring. Every time I would lift up the cover on the ice cream, customers got a whiff which smelled like perfume, and they wouldn't eat it.

I had seen a similar problem in the old days when I was working for my father. He had his own trade names on the cigars, but other people made them. Just as he would get one brand going well, they would cheapen the cigar and the first thing you knew that brand name would not sell. I saw it happen a half-dozen times.

And you wanted to avoid that?

That's right. So I decided that anything that I did in the future, like ice cream, that I would control it. I bought my own little ice cream freezer and started making ice cream in the store. I had a fellow from Boston who worked in one of the leading ice cream companies come out nights to teach me how to make it. From that ice cream business, it spread. I put sandwiches in the fountain and all that sort of thing. It spread from that into the restaurants.

I've often wondered why your slogan is "28 flavors," and not 20 or 33 or another number?

In those days, most of the big commercial companies only had chocolate, strawberry and vanilla. Those were the only flavors that anybody ever heard of. I started in adding new flavors until I got up to 28. I thought we had every flavor in the world. That "28" became my trade mark. Although we got up to where we were making 50 or 60 different flavors, I stuck with "28," like Heinz's "57." I always liked the sound of that.

Now we have graduated into
(continued on page 84)

Part of your business responsibility was born in 1948...

ZERO
Listing down
and up again

WRIGHT, a teacher but on time 21,
arrived 1914-1915.

The Detroit Free Press

SATURDAY, JANUARY 31, 1948 On Guard for Over a Century 18 Pages Vol. 117—No. 772 Five Cents

METRO FINAL

CHURCH AFFAIRS
News of Detroit
Church Activities
Is Reported
Later on Page 8

Plane Inventor Orville Wright Dies at 76

Mourning
Air Pioneer
Collapses
at Office

Succumbs 44 Years
After First Flight

DAVIDSON, N. C.—Orville Wright, noted the inventor, 76, died here today after a long illness and today night in a hospital here.

WRIGHT, who was born in 1871, in Dayton, Ohio, was the younger brother of the late Wilbur Wright, who died in 1910. He was a member of the National Aeronautics Association and a member of the National Inventors Hall of Fame.

WRIGHT was born in Dayton, Ohio, and was the younger brother of the late Wilbur Wright, who died in 1910. He was a member of the National Aeronautics Association and a member of the National Inventors Hall of Fame.

MURDER OF GANDHI

STARTS INDIA RIOTS

2 Planes
Crash, 3rd
Down in Sea

53 Fanned Dead;
Scour Bermuda Area

U.S. Cuts Exports
of Oil, Gasoline

Asks Steel Priorities for Rail,
Petroleum and Housing Industries

Dies a Martyr



Death Heightens
Civil War Peril

Police Drag Slayer from Crowd;
Mahatma to Be Cremated Today

...but it never made the headlines.

That was the year the first Major Medical Insurance Contracts were issued. In 1948, this was big news to the working man.

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New England Life

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A LOOK AHEAD

Pension plans: top '66 issue

(Labor)

Take new look at youth

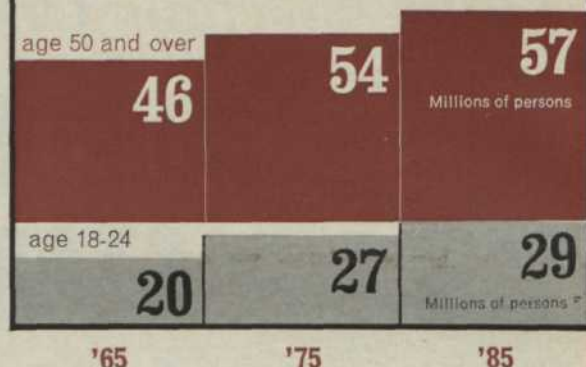
(Marketing)

What to do with used dams?

(Natural Resources)

How two markets will grow

(See Marketing)



AGRICULTURE

If you're one of those who thinks farming is a stodgy part of the economy, just look at what's ahead in one booming phase of agriculture: fertilizer usage.

One of nation's largest fertilizer makers, Tennessee Valley Authority, figures farmers will put as much as 50 per cent more nutrients on their soil in 1975 as the 10.5 million pounds used last year. And that's well below the amount that could potentially be used.

Fertilizer dealers will have to change, too. Doane Agricultural Service, Inc., believes dealers will have to be able to talk weed and insect control, machinery, other supplies with farmers. Says a company expert: "The uninformed [dealer] may never understand what happened to his business."

CONSTRUCTION

Medicare will boost construction of nursing homes and other recuperation facilities more than hospitals, say experts.

"There should be no immediate program of expansion of total bed facilities in general hospitals except where an increase is justified by growth in population," forecasts Dr. Jack C. Haldeman, president of Hospital Review and Planning Council of Southern

New York. Major emphasis, he says, should go to places where patients can rest after a few days of hospital care for such ailments as broken hips and strokes.

Government officials figure U. S. care scheme for elderly will pay for about 15 per cent of all hospital admissions, 25 per cent of all days of care.

Some experts predict hospitals will edge more into the nursing home field with buildings as well as staff. These are mostly private, unaffiliated enterprises nowadays.

CREDIT & FINANCE

Sticks make stacks from stocks.

At least, Wall Streeters still look on securities exchanges outside Manhattan as the sticks—even though that's where a good bit of the action is these days. These regional exchanges are jumping.

Future growth rides heavily on trading by mutual funds. Big institutional investors such as funds use regional exchanges more because they allow splitting of commissions, other practices barred by New York Stock Exchange. In commission splitting, fund asks broker that buys and sells stock for it on exchange to give up to 40 per cent of commission to small securities dealers who sell mutual fund shares to public.

Funds' sales to public rise, giving them more money to invest in market and more potential fees to split. Investment Company Institute estimates sales will hit \$4 billion this year, up from \$3 billion in 1964.

Companies, such as IDS Fund, which manage mutual funds, also buy seats for selves on regional exchanges so they can do own trading.

A trend?

But not all exchanges surge: Wheeling Stock Exchange closed in April.

FOREIGN TRADE

U. S. companies jockey for major share of foreign market for plants to make sea water drinkable.

Israel, Mexico plan major desalination projects with U. S. government help. Holland, Greece talk plans. Desert nations such as Kuwait, Caribbean isles already have plants, want more.

One estimate, by Gordon Leitner, executive vice president of Aqua-Chem, Inc., a major manufacturer in field, pegs global market for desalination plants at around \$750 million between now and 1975. He figures installed capacity will rise from 36 million gallons per day now to one billion in same period. All this includes unfolding plans for big plants in U. S.

British firms offer main worldwide competition for Americans. Russians also claim leadership.

LABOR

Groundwork is being laid now for one of top business issues of 1966: federal rules over private pension plans. It could be costly for your company.

A Joint Economic subcommittee headed by Rep. Martha Griffiths of Michigan plans deep, landmark hearings into the field. Date will probably be March or April.

The group wants to see how present broad patterns of what's called old-age income maintenance affect employment and nation's economy. That includes social security, executives' deferred compensation, possibly even whole realm of fringe benefits, as well as pensions.

Sample questions: Do costs of these plans discourage business from hiring new workers? Would nation be better off with plans that encourage more saving by individuals?

In background, though, looms the really big threat of more government regulation. Today's private pension network relies on tax deduction features. This gives government arm-twisting powers. Some policymakers want to require portability of employee's pension rights from one job to next, others talk up earlier ownership by employee of employer's contributions to pension fund. There's talk of push for more widows' pensions.

MARKETING

Some second thoughts about the youth market are appearing.

It's big, no one disputes that. Young adults 18 through 24 number 20 million now, 27 million in 1975.

But Joseph W. Duncan of Battelle Memorial Institute argues their lack of job experience, unemployment, tendency to take part-time jobs because of school or other reasons cuts the cash they have to spend, reduces their "relative effectiveness as consumers" when compared with other ages.

Merchants wonder if they're over-looking an even better market in the

50-plus bracket. About 46 million now, these folks should increase to nearly 54 million in a decade, the National Retail Merchants Association tells its members.

"Another facet of this older market," the NRMA says, "is the fact that they do a great deal of gift purchasing, therefore are potential customers for the better and higher margin departments."

NATURAL RESOURCES

All right, what would you do with 250 used dams? Or even one?

That's no joke. Congress will have to decide that question, starting next year. The situation could lead to new public-private power donnybrook.

Federal Power Commission licenses on privately owned hydroelectric projects begin running out in 1966. The first is a little dam on Chichagof Island in Alaska. But major projects owned by such companies as Pacific Gas & Electric, Pennsylvania P. & L., New England Power, Southern California Edison, Alabama Power run out in following five years.

The law says U. S. can take over privately built dams by paying fair value. There are 250 dams, that cost around \$6 billion to build, subject to takeover—over number of years, of course. Licenses run about 50 years. If U. S. doesn't want dam, FPC can issue new license to old owner—or someone else.

FPC bucks issue to Congress. No one thinks lawmakers would order blanket government takeovers. That would cost billions. But public power bloc may agitate for some takeovers or make new demands for preferential treatment and for curbs on private firms.

TAXATION

Trends you'll want to know about in real estate taxation are building up. States and communities vary, of course, and technicalities can get involved; but trend-watchers spot movement.

There's growing demand for exemptions by classes—especially oldsters. Idea is to remove threat they'll lose property to the tax man when income drops. Not so incidentally, this also quiets most vocal opponents of bigger school, other local spending. Special deals on farm land also get interest.

Indiana, Wisconsin, Michigan among others move toward allowing property and sales tax payments as offset to state income taxes.

Assessment gets more scientific. Advisory Commission on Intergovernmental Relations urges assessment on at least countywide—instead of smaller—basis so more pros can be hired for job. Courts force some states to use more fact, less fiction in assessments.

Real estate tax take climbs as building, urbanization continue. Revenue nationwide rose from \$18 billion in 1961 to \$21.2 billion last year. Rates push upwards as more states increase rate ceilings. Sales values push up tax base, too, though rise in assessed valuation climbs slower. Nationwide average now runs about 30 per cent of sales value.

TRANSPORTATION

Don't be surprised if that salesman outside your door is peddling airplanes. Light plane makers are zeroing in more and more on the business market.

Over 390,000 businesses are bona fide prospects, calculates Leddy L. Greever, vice president of Beech Aircraft Corp. But he says industry penetrates only 10 per cent of market.

Plane makers are setting out to drum up public interest in flying. They talk up bigger spending on local airports, argue air facilities are community asset to win taxpayer support. Airport managers get how-to kits for boosting public interest.

Sixty per cent of nation's airfields are privately owned and three of 10 busiest have no commercial traffic, makers of smaller planes note.

NOW UNCLE SAM'S A REAL ESTATE SPECULATOR

This controversial agency plans to
buy and sell land to lure industry



RALPH ROBINSON

THE LONG-CONTROVERSIAL Tennessee Valley Authority is now plunging into the real estate business with big plans for extensive development of choice industrial land in its seven-state region.

Originally set up in the '30's as a flood control agency, TVA now threatens to become a powerful competitor in the nationwide scramble to attract new industry.

Backed by federal tax money and the power to condemn privately owned land, it is well launched on a program of acquiring and selling—at a fat markup—waterfront industrial sites in its area.

The new TVA approach represents another stage in Uncle Sam's involvement in private business affairs.

Tight control over the vast waterfront acreage TVA normally acquires for its flood control and power activities will enable the agency to determine how it will be used—for homes, recreation, business, industry—or any other way the agency fancies.

TVA wants to sell the land it acquires at prices reflecting the value added by tax-financed improvements, to help pay for—and justify—its dams and reservoir projects.

This puts the agency squarely in the business of

condemning private property and selling at least part of it to others, and competing for new industry with private land owners. TVA economists figure that the agency's condemnation powers enable it to assemble huge industrial tracts at roughly 60 per cent of what it would cost private development groups.

TVA has been under attack since its inception. It has been scored as a socialistic experiment involving government generation and sale of electric power and has been fought particularly by private power interests which have had to compete with power production from TVA dams.

Tempest over Tellico

TVA's expanding role in real estate and speculative economic development is seen in a proposed \$42 million project called Tellico Dam.

Widely believed the most controversial project in TVA's 32-year history, Tellico was deferred by Congress last month. But Congress voted a \$100,000 study of it, indicating that the project is far from dead.

Construction of TVA's works projects has traditionally been justified by a formula relating costs to estimates of benefits from flood control, navigation and power.

At Tellico, however, TVA expects to generate \$15 million in so-called economic development benefits, such as new jobs, as a result of the dam. Moreover, officials figure they can make \$10.9 million from the controlled sale of land around the dam. This includes 5,000 acres of industrial tracts.

TVA Director Frank E. Smith, a former congressman from Mississippi, explained TVA's approach this way in an interview with a *NATION'S BUSINESS* editor:

One of the nation's major domestic problems is economic development. Government's role seems a settled issue, according to Mr. Smith; the main question remaining is one of procedures.

Certainly the Johnson Administration's newly expanded laws providing federal subsidies for redevelopment of economically lagging areas of the country lend support to this theory.

"In light of the poverty program, use of public funds for economic development is becoming more acceptable," adds M. I. (Mike) Foster, economist and chief of TVA's navigation resources branch.

"It's more a concept of expanding government, and TVA is just an expression of that concept," observed a Tennessee corporate executive privately. The agency's administrators couldn't agree more. An official notes that Tellico and similar projects were approved by the Budget Bureau. "It's a matter of national government policy."

As to land dealings to help finance projects, Mr. Smith justifies it with this reasoning: "The land ought to pay for some of the value that's given it by public expenditure. This is one way that some of the value added can be recaptured by the government."

Mr. Smith dismisses critics who claim that TVA has no business in the real estate field: "They believe



SPECULATOR

continued

in the sacred principle of getting something out of the government for nothing."

TVA insists that Tellico would not be the first agency plan to create industrial sites, attract industry, control the disposal of land and sell at skyrocketing values to offset project costs. Just the biggest.

Officials cite precedent of a sort in past TVA undertakings. But none approaches the ambitious program of Tellico tributary development.

Director Smith hopes this land-sale program will serve as a precedent to be followed by other agencies of government, including the Army Corps of Engineers, which acquires lots of real estate as it spends billions each year for public works.

Land is plentiful

TVA alone will have plenty of real estate to play with in developing future projects. The agency normally acquires twice the amount of land to be flooded by any reservoir project—much of it surplus.

The authority follows a long-standing practice of taking an entire tract of land if the portion not actually needed for the project would be inaccessible or no longer suitable for its former use, or if roads would have to be relocated.

Over the years, TVA has gotten rid of about 40 per cent of the one million acres it has acquired in connection with major projects.

"It was made available to industry—to anybody," explained a TVA spokesman. "It was advertised for sale and anybody who wanted to bid on it could."

Not any more.

As TVA Chairman Aubrey J. (Red) Wagner complained to Congress, shoreline land has often been snapped up quickly by developers for campsites or homes, making it difficult if not impossible to assemble industrial tracts.

This led Rep. Joe Evins of Tennessee to retort: "All areas have difficulties in attracting industry. They all have problems to surmount and overcome."

TVA is now locking up control over its land by fostering arrangements with state and local planning agencies to impose zoning and other restrictions on the land to make sure it will be used according to plans worked out under the guidance of the authority.

But TVA arrangements with local public bodies aren't the only tool available.

The agency itself can impose controls on future use of land by negotiating sale of easements—access rights for railroad spurs, for example—to development groups, thus effectively blocking any uses not approved by the agency.

Finally, the TVA board must pass on each sale of land. So no prospective buyers not acceptable to the authority could obtain a site.

Price advantage seen

Mr. Foster explains how TVA has a price advantage in acquiring sites. A private group trying to assemble, from several owners, a site large enough for industry often runs into an owner without whose property the tract is incomplete. Such owners can hold out until bought off at higher-than-market price, or refuse to sell at all.

TVA, with its power to force sale, has no such problem. Mr. Foster estimates that at Decatur, Ala., the agency was able to put together 120 acres at roughly 60 per cent of the per-acre cost that a private group paid for the rest of an 800-acre tract.

The Tellico project has been on TVA's drawing boards since New Deal days. It has been dusted off from time to time since. Congress actually appropriated funds for it in 1942 but the project was sent to limbo when the War Production Board refused to grant priority.

One recent revival was in 1961. At that time, though, the then Chairman of TVA, Gen. Herbert D. Vogel, regarded the project justifiable only if partly financed by state or local participation. He said the benefits probably would not surpass the cost and "benefits ought to exceed the costs by one and one half to one to make it really a good investment."

Last January, however, President Johnson included \$5.7 million in his budget for a start on the project as part of the subsidy program for the Appalachian region.

Meanwhile, TVA has begun two projects which agency officials regard as major precedents for the Tellico land development approach:

One is the Beech River flood control project in West Tennessee. TVA worked out what it calls a "unique and experimental financing arrangement" whereby part of the project cost would be recaptured from sale of shoreline land.

The second is the Melton Hill Dam, a \$34 million multipurpose

project in East Tennessee, where the authority has earmarked 875 acres of land for sale to industry.

Unlike Tellico, however, Melton Hill was approved on the basis of benefits flowing from power, navigation aids and flood control. Profits from land were not cranked into the formula to justify the project.

Plans for Tellico call for acquisition of 35,000 to 40,000 acres. Some 18,000 acres of it would be flooded by a reservoir.

In a special tabulation for NATION'S BUSINESS, the agency estimated the proceeds from land sales on major projects completed or currently proposed at \$23 million.

This is less than three per cent of total project costs of \$877 million. By contrast, land sale will bring in 25.6 per cent of Tellico's total cost of \$42.5 million.

Explained Mr. Smith: "The Tellico project shows a higher relationship to total project cost than others, an indication of the unusual values which the potential industrial properties will take on after the project is completed."

TVA Chairman Wagner estimates that the sites will attract \$265 million in new industry over 25 years, creating 6,600 jobs and a payroll of \$18 million a year. (For comparison, Aluminum Company of America pays \$42 million a year to its 6,000 employees in the state.)

Rep. Evins, a member of the congressional subcommittee handling TVA funds, explained Congress' deferral:

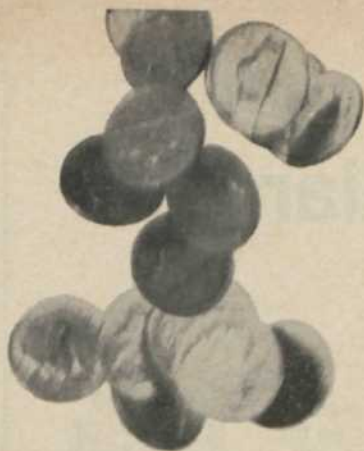
"There exists widespread, deep-running resistance to the Tellico project by elected county officials and others in the immediate area covered."

And an imposing roster of organizations refused to endorse the project. One Capitol source interprets even refusal to take a stand as a measure of opposition in Tennessee where it is near heresy to "fight the TVA."

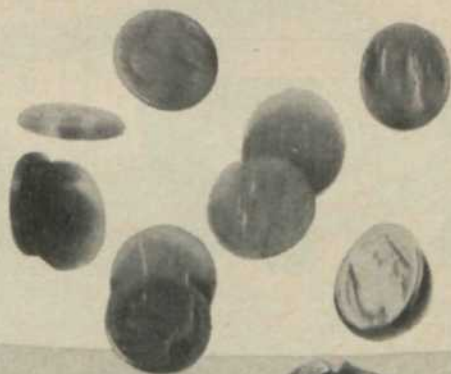
Tellico has been attacked as "a marginal project" contributing little in the way of flood control, a threat of aggravated stream pollution, unneeded in an area already attractive to industry, not to mention its competition with existing industrial sites.

The Senate favors Tellico, despite this argument by Sen. Allen J. Ellender of Louisiana: "I do not think that it was the intent of Congress to authorize the condemnation of private lands, for subsequent disposal to private interests, according to the whims of a bureaucrat."

END



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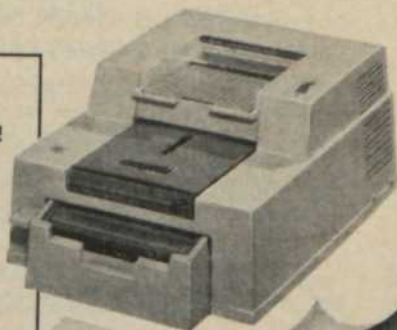
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AMERICA'S CITIES

continued from page 39

ment climate is right. Quite often this investment climate has to be altered through public action.

High economic values and growth pressures have led to massive infusions of private investment without directly related public improvements in some sections, such as in Manhattan. But generally some public action has been necessary—such as improved highways, public parking and other facilities.

In any discussion of community goals there is little basis for generalization. Realistic goals for community development and improvement depend on the size of the city, its growth trends, its economic base, its relationship to other communities, and the personal objectives of the citizens of the community, both present and prospective.

Realistic community goals which might be formulated for midtown Manhattan would bear little similarity to goals which might be established for, say, Palm Springs, Calif.

But in any case, it has been our experience that the development of community goals and attitudes is practical only if the program can bring together the objectives of the whole community.

In the past several years, as the availability of federal assistance for urban renewal has increased, the leadership in the renewal process has come primarily from those persons interested in the improvement of housing as a social objective, and from political forces interested in revitalization as a means of protecting and improving the tax structure. These activities have resulted in certain programs which have not always resulted in improvement of the over-all welfare of the community in mind. As a result there have been many criticisms of the federal programs: slow progress toward realization, and injustices in the process of clearance and other activities.

If we can build upon the experience available, it is now becoming apparent that the main objective to be served in active participation in community development is an orderly transition from the community's present situation to a more desirable future situation.

During this time of growing recognition by public officials and private citizens of the need to identify and work toward the achievement of goals for the entire community,

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SOME DEALER FRANCHISES STILL OPEN

AMERICA'S CITIES

continued

it has been apparent that the business interests of the community have been a more vital force in coordinating the thought of all citizens than any other segment of the community. Our own experience, which includes studies and consultation in well over 100 communities, indicates that a great deal of the initiative comes from private business groups as opposed to government agencies.

Goals lead to progress

In those cities and metropolitan areas where there is a vigorous representation of the business community and where there is a coordination of the political and social elements of the community with the leadership of the business community, realistic goals have been established and significant progress made in their accomplishment.

Most communities are concerned with stimulating an expansion of their economic opportunities: encouraging an expansion in their industries and stimulating investment in the central business district.

Other objectives include providing better housing, usually for lower income and minority groups, and the improvement of schools, libraries, parks and other facilities.

Socially and politically desirable goals must be evaluated in terms of their practicality within a framework of the community's economic setting. The nature of the community's economic base—what supports the community—whether it be industrial, governmental, educational, financial, commercial or a combination of elements, will have a significant bearing on whether the community goals or desires can be achieved. At least these factors must be considered in giving the goals meaningful priority.

Urban transformation is never a small and easy task. In many cities, slum housing, particularly where enforcement of building and health codes is lax, is a profitable investment; and acquisition costs are higher than the value of the land for alternate use.

Similarly, in central business districts and their fringes, it is probable that substantial property may pass into the hands of trustees or other persons whose willingness or ability, either legally or financially, does not permit them to improve their property, or sell it.

Apart from these difficulties, one



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The hotsy totsy sales chief gets his.

We have this hotshot sales chief. He's the kind of guy who triumphantly dons a yellow shirt every time our cellophane sales go up. He also wears bow ties, is a perfect maniac about customerservice, and has our sales force pretty well terrorized.

At this year's sales conference, he announced the introduction of a new Olin symbol: a red briefcase, intended to represent Olin's passionate concern for its customers' well-being.

The cases, however, weren't simply to be given away. They were to be awarded only to those salesmen who felt themselves sufficiently customer oriented to be worthy of one.

To nobody's surprise, everybody found himself worthy.

Which doesn't mean, of course, that anybody actually intended to carry those conspicuous red symbols.

And that's the point at which our sales

chief outfoxed himself.

To positively insure that the new briefcases did get carried, he ordered all the salesmen to mail their old briefcases to him. And dutifully they did.

But they didn't send the good, usable cases our sales manager expected to see. They sent wrecks of briefcases excavated from cellars and exhumed from under spare tires in car trunks. Which does leave the home office still in some doubt as to what exactly our salesmen are carrying these days.

Anyway, we do have to grant our foxy-but-not-foxy-enough sales chief one thing. Since he took office, Olin's cellophane sales have soared. Some people suggest it's because we make good cellophane. Others say it's because our salesmen take such good care of our customers. But Chief Yellow Shirt won't hear of it. He insists it's all because of those damn red briefcases.

Olin CELLOPHANE
PISGAH FOREST, NORTH CAROLINA



AMERICA'S CITIES

continued

of the greatest obstacles is the failure of the community as a whole to maintain continuing interest in programs which require many years to complete. In many cities, we find that business leadership is prepared to take planning and study up to a certain point. But at that point, frequently due to the frustrations and delays while key decisions are being made, it abandons the process to government agencies with primary emphasis on the federal Urban Renewal Administration.

While the federal urban renewal process has been resorted to in many communities, the attainment of the broad community goals generally evaporates where public planning is substituted for private initiative regardless of how realistic the community goals may have been.

The powers of eminent domain, which are a principal factor in the federal program, are useful to assemble unified tracts of land. However, these powers can be provided through state and local legislation without recourse to federal legislation.

Arriving at an agreement among an almost unlimited number of separate interest groups, even though they might agree on over-all objectives, is often difficult, too.

But in many cases the resistance of these groups to a specific project can be overcome by a process of communication and demonstration of the worth of ultimate achievement.

It is not unusual to find that the parking authority, the streets department, the traffic section of the police department and the city planning board are all working on their individual projects within the same area but at cross-purposes.

Since in most communities parking authorities are not responsible to the municipal government, the responsibility of coordinating the activities of such autonomous bodies rests with the responsible business leadership in the community.

There are, of course, areas of municipal responsibility where failure to act can thwart community goals. In many communities the building and zoning codes are so outdated they stifle private investment.

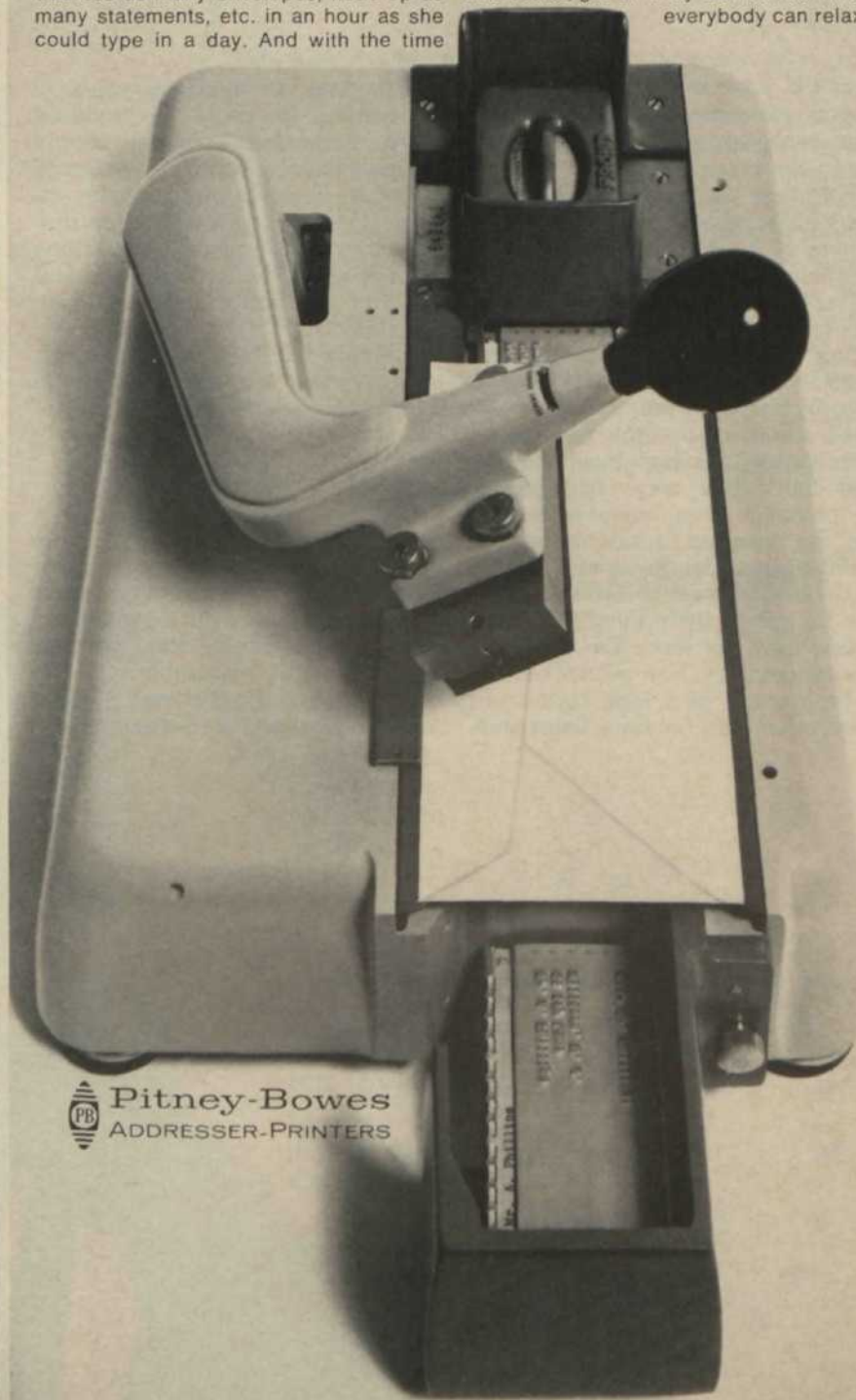
As an example, a zoning code recently adopted by a northeast community requires a minimum of

(continued on page 122)

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TAKE LABELS OFF YOUR MEN

You can spot promising managers more easily by using this approach

YOU'LL DISCOVER a lot of untapped executive talent right in your own company if you are willing to do two things:

The first is to recognize that many able men get brushed into the corners of a business because they are thought of in stereotyped terms.

The second is to rid yourself of the tendency—if you have it—of letting a man's station in life, his status, predetermine your judgment of his potential.

It's unfortunate, but true, that many young, unknown businessmen must fight their way virtually to the pinnacle of a business before they are regarded as having top-job qualifications. By the time they do break into the spotlight, their health may be spent, their talents fading. Others have to serve too long an apprenticeship. They get locked in like a box car in a long train—too many other cars between them and

the engine. If the long years of apprenticeship could be reduced there would be a greater supply of immediately usable managerial talent in business and industry today. The waiting periods for promotion would be shortened, killing work loads at the top lightened and mobility accelerated up and down the line.

Stereotyping and status-labeling, however, are the key culprits in hiding competent men from management's view.

The lethal stereotype

Reducing people to types is a common failing. We classify people to facilitate our dealings with them; stereotype the classes, and represent these stereotypes with a symbol, or name, which can be used without much thought. Example: "John Bull" for the Englishman. Many Americans expect a German to be

methodical; an Italian, impulsive; an Eskimo, dressed in furs and living in an igloo.

The lethal characteristic of the stereotype is that the person comes to be represented by his type, and so may never be known as an individual with unique abilities. Our acquaintance book often reads like this: Mr. Jones, contractor and builder; Mr. Smith, engineer; Mr. Brown, actuary. We are startled when we learn that the actuary has developed a new concept in economics, or that the builder has made an important scientific discovery in his cellar workshop.

Executives have a special weakness for employee stereotypes because, almost of necessity, they are more familiar with jobs than they are with individuals. Jobs remain. Men come and go. Jobs must be understood before the business will function but the men who fill the jobs may be more or less unknown so long as they get their work done. Jobs of a particular class are pretty much alike, while men represent a tremendous sweep of abilities.

Consequently, each position is thought to represent a certain package of job specifications while the worker remains an abbreviated stereotype of the job. It is difficult to find future executives among stereotypes.

Status as a blinder

The second factor that camouflages the ability of younger men is their position within the group. In society we find status in what has been called the upper, the middle and the lower crust.

In Washington, D.C., at one time, efforts to climb to higher status were made by falling into former Attorney General Robert Kennedy's swimming pool.

In business and industry the highest status is given to professional men and managers. Below these come the clerical and sales forces, the skilled occupations, the semi-skilled and finally the unskilled.

"The Dictionary of Occupational Titles" gives the reason for this stratification, establishing status by the amount of training and experience required to do a job. This hierarchy of stereotypes is relatively accurate on the average, even though it hides the individual behind a symbol.

It is particularly important that status, in business, be closely associated with ability. To many status is a measure of ability, and for them the president is obviously

You are thinking in stereotypes—

1. When you remember people in terms of their class: "the building superintendent," "the accountant," "the engineer."
2. When you refer to people as typical: "he is a typical banker," "he is a typical bookkeeper."
3. When you congratulate yourself that your opinion of men seldom changes.

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TAKE LABELS OFF

continued

brighter than the clerk. The top executive, being endowed with at least some vanity, tends to think he has more ability than assistant executives, foremen, bookkeepers and other employees in his firm whose jobs carry less weight than his.

Usually the executive has the extra ability he thinks he has, and often lower status workers have the smaller amount of ability their status suggests. But when one recalls that practically the whole of business is constantly moving upward through promotions, it's obvious that some people have the ability before they get the promotion, as do some who for one reason or another are never promoted. To judge people in terms of status is often to downgrade them. And people in business who are downgraded are not being effectively used.

For instance, one man's work history reads this way: His first job was that of a truck driver; he then operated a bulldozer and after that a crane. Next he became a surveyor. He took courses at night, some correspondence study, finished up a regular college program, and qualified for a degree in electronic engineering. He was hired to supervise all electrical operations in a large factory. Here, he studied the mechanical and chemical problems of his industry and was promoted to assistant superintendent of the plant and finally to superintendent.

But who would have imagined when he was a truck driver that he would some day be put in charge of an entire plant?

It is less important to note that the future is always unknown and that nearly all young men are working below their peak than it is that people tend to judge a man as belonging permanently to the station in which he is found. To many people a truck driver is a truck driver.

There are two requirements if the executive is to have help in finding untapped talent. One is to have a correct idea of the sort of ability looked for, and the other is to have means of uncovering the wanted person no matter where he is hidden. Generally speaking, the executive must be a man who can carry seven responsibilities: planning, knowledge and continuing study, creativity, contacts with employees, contacts with the community, administration and progress.

Assuming there are proper job specifications for the executive being sought, he should be looked for without reference to job stereotypes or status. There are three basic sources of such knowledge:

Objective records and tests,

The man himself, and

Other people.

An objective record should be built up for every possible candidate. One source is the subjects he studied in school and his grades. Another indicator is the books he has read. His travels can be listed as well as the organizations he has joined, the offices he has held.

His work experience should be

recorded, including his rate of advancement, his responsibilities, the number and reason for his job changes. His skills and the tools he can use should be known, as well as any honors he has received, whether they be athletic, academic or civic.

Tests—particularly psychological tests—are of great value in cutting through stereotypes and status to the individuals. First are standardized tests that can be proved out for company use. Second, standardized inventories that seldom prove out well, and so should be used only with great caution. Third, projective tests which are among the tools of psychiatrists and clinical psychologists. These measures, though often criticized, have value if properly employed by those who understand them.

A man may be used as a source of information about himself. He may be invited to write a brief account of the essential features of his life. He may be requested to fill out a personal record form, answering particular questions. He can be asked here for likes, dislikes and preferences in contrast to the objective list already recorded. The man may be informally invited to talk about himself, explaining his hopes, ambitions and problems. Finally, he may be more formally interviewed and asked specific questions about himself, disclosing the kind of information the company feels it needs.

The "other people" most useful to a company in looking for talent among their employees are those who have worked with the candidate. Ratings by supervisors are an example. Such assessments of one man by another should be clearly dated to allow for an individual's further development, and there should be enough of them to average out occasional personal prejudice.

Where the service is available, a man may be sent to consultants who are specialists in assessment and who can be more objective than his associates.

Even recommendations from past employers and friends may be considered. Such recommendations, long used by business, must have some value to weather the criticism usually directed against them.

—JAMES D. WEINLAND

You are thinking in terms of status—

1. When you never expect a person earning less than you do to know more than you know.
2. When you are shocked to discover someone you once supervised in a better position than you hold.
3. When protocol is important to you and you are disturbed to find you are not given the attention you believe is your due.

REPRINTS of "Take Labels Off Your Men" may be obtained for 25 cents a copy, \$12 per 100, or \$90 per 1,000 postpaid from Nation's Business, 1615 H St., N.W., Washington, D. C. 20006. Please enclose remittance with order.

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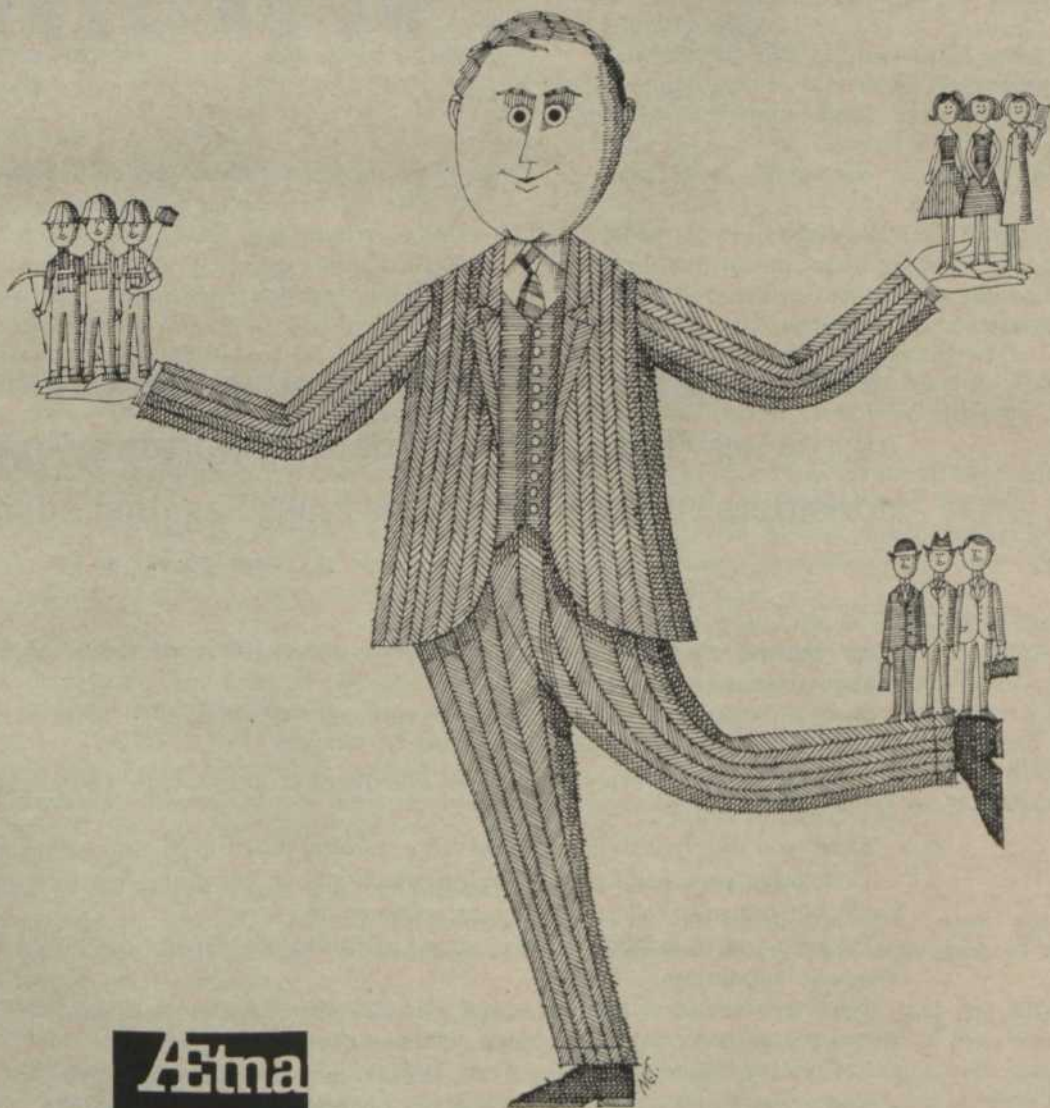
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THE CHOICE OF BUSINESSMEN LETS YOU CHOOSE WITH CONFIDENCE

Where civil rights law is going **WRONG**

While employers are opening up their job doors to all, the new Equal Employment Opportunity agency considers enforcement rules biased against business

FEW BUSINESSMEN in America today even suspect that an agency of the federal government would:

Send out teams of investigators with authority to go through your company's files without telling you exactly why.

Write out tests for every job in your organization and pressure you to use them as a basis for hiring.

Deny you the right to put your son in a training program in your own company.

Encourage your employees to lodge complaints of discrimination in your company, but refuse to tell you who your accusers are.

Require you to exhibit "proper" social attitudes as defined by a board of government appointees.

Receive unsworn complaints about you and then threaten to make them public if you refuse to do what the agency wants you to.

Tell you to hire a man instead of a woman as your personal secretary.

Force you to hire persons who are not qualified for a job and make you educate them.

Make you put young women in expensive executive training programs, even though experience shows many will quit.

Require you to give back pay to anyone the agency thinks has been denied advancement in your firm in the past because of his or her race, sex, color, religion or national origin.

Further require you to put some persons in the positions they would have been in today if discrimination had not occurred and to give extra money to the rest of your employees to soften the impact on them.

Preposterous?

These are just some of the suggestions being seriously considered by a U. S. government agency which is gathering momentum since being set up four months ago and already has indicated that it intends to step beyond the letter of the law to achieve its purposes.

Called the Equal Employment Opportunity Commission (EEOC), it is a creature of Title VII of the Civil Rights Act of 1964 which forbids discrimination in employment because of race, color, religion, sex or national origin.

Distortion feared

Few Americans oppose the basic objectives of the Act. Certainly reasonable citizens today want their fellow citizens to have equal opportunity, whatever their race, creed, color or sex. But there are unmistakable signs that implementation may now be distorted through bias or economic ignorance of those charged with administering it.

The commission is supposed to receive complaints and oversee compliance with the law. It consists of five commissioners and a staff plucked from the ranks of unions, civil rights groups and the Peace Corps.

While the group is still organizing and deciding how to carry out its charge, there are strong movements in Congress to give it even more sweeping power.

There is, for example, a bill sponsored by Rep. Augustus F. Hawkins (D., Calif.), officially called the Equal Employment Opportunity Act of 1965 (H. R. 10065). The bill, which was rushed through the Education and Labor Committee, would transform the commission from an agency designed mainly for conciliation into one that would act largely as prosecutor, judge and jury.

The Hawkins bill would allow the commission, which now can seek its aims only through the courts, to issue "cease and desist" orders to employers, unions and employment agencies.

The Hawkins bill, which counts the activist Student Non-Violent Coordinating Committee among its chief supporters, also would—for all practical purposes—eliminate state fair employment practices commissions and substitute federal control.

The powers outlined at the beginning of this article were among recommendations made in August during a two-day White House Conference on the new commission. And most of these recommendations can be implemented under the current law.

The conference started with a general session in the State Department's auditorium and then broke into seven "workshops." The 300 conferees included many sociologists, civil rights proponents and representatives of unions, women's organizations and state fair employment commissions.

Dissent stifled

There was also a group representing employment agencies and employers. A few from this group spoke out indignantly at suggestions being made. But many sat silent fearing accusations of bigotry from a confused public or in a few cases even retaliation by the federal government when government contracts are let.

Government officials have put pressure on many large employers to hire more Negroes, even though a number of business firms have been making special efforts to seek out qualified employees and even quietly given preference to Negro applicants over whites.

News of the White House conference has now spread, and businessmen are beginning to voice their dismay. NATION'S BUSINESS has talked confidentially with dozens of executives. Many requested that their names and firms not be mentioned.

A typical reaction came from E. J. Shroedter, assistant industrial relations director of Evinrude Motors, Milwaukee.

The reports of the White House conference workshop panels are "disturbing," he said. "In many instances it will disrupt the basic philosophies upon which hiring, promotion and other practices have been established.

"Certainly, no one is advocating that discrimination against minority groups continue, nor should practices that foster discrimination be retained. However, the reverse should not happen either. Preference and greater consideration should not be given to less competent applicants regardless of race or color, because this would be discrimination in reverse."

Danger in numbers

The vice president of a major phone company commented on one important phase of the conference this way:

"I would strongly urge that the EEOC not automatically assume a pattern [of discrimination] exists because of statistical evidence indicating a high proportion of minority employees in specific jobs. They must carefully ascertain the facts and recognize that 'pockets' of minority employees may not only exist, but may also be inevitable, due to the qualifications of the individuals. They certainly should not reason that numbers per se indicate discrimination."

Some conference participants urged a complete

CIVIL RIGHTS LAW

continued

merger of seniority lists according to dates of entrance in firms. This would put everyone, no matter what his duties or qualifications, on one big list.

"Such a rule would be onerous to follow," argues a steel executive, "and, in the case of hundreds of applications filed with a large operation in a day or a week, would create countless problems in filing and processing."

It was further suggested at the workshops that something be done to soften any impact that realigned seniority lists might have on members of the majority group, since they were not directly responsible for any discrimination.

"This type of relief," says the Commission's official report on the workshops, "might be the use of the back-pay provision which would cause the employer to bear the burden of the readjustment."

The president of a Midwest manufacturing firm argues that this approach would result in "nothing short of chaos." He suggests that instead of expending effort "correcting" the past, the commission concentrate on building for the future.

"The notion that back pay might be paid employees discriminated against in the past is highly objectionable," says a railroad vice president. "It assumes that they can be identified and that the extent of the discrimination can be defined in monetary terms. It would penalize employers as the result of the unsound presumption that they are responsible for every instance of past discrimination."

"The elimination of present and future discrimination is a more than adequate task for the commission—and is clearly the assignment given it by the law."

Thomas J. Hogan, executive vice president of Eastern Express, Inc., of Terre Haute, Ind., fears the commission will order "some careless general merger" of seniority lists which would place unqualified drivers on city and road units.

One workshop at the White House conference took up the problems of complaint procedures and the relationship between federal, state and local regulations regarding discrimination in employment.

Representatives from some civil rights groups at the workshop expressed "serious and severe distrust" of the Federal Bureau of Investigation and of the ability of present

federal and state agencies to protect persons complaining about discrimination. They suggested that EEOC commissioners file charges without naming the complaining parties.

"My blood curdled when I read suggestions that the employer be denied rights that are granted to criminals in the matter of discovery according to the rules of the court," said Claire T. Grimes, executive secretary of the Hollywood, Calif., Chamber of Commerce.

"Why must a complaining witness be completely protected in an accusation against an employer who is contributing to the advancement of society, whereas a criminal in a dope arrest—even though the evidence is found on him—cannot be

For a look at a pro-business government agency and its chief, who represents business in the Administration's inner councils, see Page 36.

convicted unless he is informed as to who the informer is? This is a double standard of the worst order and makes me indignant beyond all comprehension that such absurdities can be proposed."

A New York corporation lawyer says he can't believe the power of the federal government is "so weak and inadequate that it is unable to protect an individual who files a complaint with a governmental agency." Withholding the name of the charging party from the accused employer, he adds, would deprive the employer of the opportunity to develop his defense.

The burden of proof should be borne by the accuser, another businessman insists. Requiring an employer to furnish all the proof that he is innocent of any charge would place him at a severe disadvantage, he says, because of the adverse publicity usually connected with cases of this type.

Harassment made easy

"Ignoring the legal principle of the accused being confronted by his accuser," another maintains, "makes it both attractive and safe to fabri-

cate trial cases or otherwise harass the employer."

One executive said the commission should reject the suggestion to take information in any form, sworn or unsworn. Instead, he said it should follow the National Labor Relations Board safeguards of requiring sworn complaints with criminal penalties for perjury.

"I read the workshop report without getting the idea that EEOC was going to do anything special to protect the employer," says Frank C. McAlister, director of personnel and labor relations of the Indiana State Chamber of Commerce. "I feel the employer should have some protection from harassment and unfounded charges that could be filed promiscuously against him."

Another businessman takes issue with the suggestion made at the workshop that a state agency should be allowed to discuss a case with the commission prior to the state's decision on it.

"It would, in effect, deprive an employer of his fundamental right to an unbiased appeal," he says. "In essence the state agency's decision would be the commission's decision." Still another claims that the commission's duty to act as a conciliator would be destroyed if it adopted a workshop suggestion that investigators' reports be made available in future cases.

"If statements and comments of an employer could possibly be used against him in subsequent litigation," he says, "he would have no other course open than to take a legalistic and cautious approach at the very inception of an investigation by the federal agency."

Regarding a proposal that any failures in conciliation be made public routinely, George T. Heaberg III, employment manager of Smith Kline & French Laboratories, argues: "Even though failure to conciliate is due to reasons other than discrimination on the part of the employer, we believe publicity in several of these cases would very likely damage the employer's reputation as an equal opportunity employer. Therefore, we question the advisability of unnecessarily risking damage to the employer's reputation."

Coercion charged

The vice president of a large manufacturing firm calls the proposal "a blatant attempt to coerce an employer into accepting any solution the commission might suggest regardless of its merit." It verges on compulsory mediation, he adds,

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CIVIL RIGHTS LAW

continued

and is obviously contrary to the spirit and intent of the law.

"It implies," says an Oregon executive, "that the employer is automatically resisting conciliation if he stands on his convictions."

The civil rights law generally provides that states with satisfactory fair employment practice laws have jurisdiction for 60 days before cases go to the federal authorities.

Theoretically, businessmen complain, a single company could find itself involved with the new commission, the NLRB, the Community Relations Service, the Justice Department, the President's Committee on Equal Employment Opportunity and the Labor Department in addition to numerous state and local fair employment commissions.

"The area of jurisdiction between individual states and the federal government needs to be cleared up very quickly," says M. E. Berthiaume, manager of industrial relations for the Arrow Co., Troy, N.Y. "This is particularly important for a company that does business in many different states.

"For example, we have had a civil rights commission in New York State for a good many years and are familiar with its method of operation and can appreciate that there will be no areas of conflict between the federal government and the state. However, in Alabama, where we also have plants, the area of agreement between federal and state is not so clear and it tends to leave an employer under difficulties as to how to operate under the law.

"It is, therefore, important that this area be cleared up completely before an employer is held liable for any error on his part."

Workshop No. 3 concerned discrimination because of sex. The word "sex" was put into the civil rights legislation to delay passage of the bill. Once it was in, congressmen were afraid to speak out against including the word for fear of ruffling the hair-dos of half of their constituents. So the commission is faced with the problem of determining what is meant by discrimination because of sex.

Hire male bunnies?

Title VII says the only time you can't hire people of either sex is when there is a "bona fide occupational qualification," an oft-used term reduced by commission staffers to "BFOQ." The search for a defi-



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CIVIL RIGHTS LAW

continued

nition of BFOQ took up a good part of workshop No. 3.

Some refer to this as "the bunny problem." What, they ask, do you do when a knobby-kneed male waiter shows up at a Playboy club seeking a job as a bunny? Or a woman wants to be an attendant in a men's Turkish bath? Or a man has an urge to clerk in a woman's corset shop?

Suggestions were made at the workshop that only the narrowest interpretation be given to BFOQ.

"The burden is on the employers," said one commission staffer. "If they can't think of any reason not to hire women for jobs traditionally held by men, then they better do it."

Commission Chairman Franklin D. Roosevelt, Jr. said his agency "should be alert to distinguish those situations where it is merely a convenient extension of tradition and those where sex appears to have a stronger tie to the requirements of the job or other basic values."

One speaker at the workshop said women and men should be allowed any job except where only one sex could reasonably be expected to do the work or where "national mores" would require selection of one sex over the other—as in the case, for example, of a washroom attendant or a fashion model.

The workshop suggested that most jobs are interchangeable between sexes and that, for example, weight lifting would be no problem, assuming adequate mechanical handling equipment.

But an electric executive says: "Unfortunately, I envision accelerated physical, if not emotional, failure and increased claims for compensation. What assurance does the employer have that—in exchange for accepting any instabilities of women, interruptions for child bearing, earlier retirement and the ever present possibility that a woman will quit to let her husband be the breadwinner—he will get undivided attention to the job, loyalty and a fair return on his investment?"

Another suggests that the commission force only new plants to provide facilities for women.

A widespread hope among businessmen who are aware of commission plans is that the commission will use panels of experts, including responsible representatives of industry, to advise it in establishing

bona fide occupational qualifications and in setting a course where federal law conflicts with state laws.

Commission staffers also believe business should not favor men as candidates for executive training programs.

Industry representatives point out that women are a greater risk in such situations because when they marry, they usually leave a company.

This is not a valid defense, commission representatives counter. They said no BFOQ could be based upon "such broad propositions as an assumed or actual increased cost of employing women due to higher turnover, higher sick leave or other alleged generally high cost of employment."

The director of industrial relations for a large manufacturer argues: "The suggestion that the commission be empowered to extend state labor laws to both sexes where the law relates only to one is on its face unconstitutional. Obviously, no federal regulatory agent has any authority to alter, amend or vary a state statute."

On record-keeping and reporting, it was recommended that employers be made to keep secret records on each employee, indicating his race, sex, religion, national origin and source of referral.

Industry men at the conference argued that this could conflict with state or local laws prohibiting such records and that trained investigators do not need such written records to determine validity of a complaint.

Records foster bias

"We are color-blind rather than color-conscious in our record-keeping and other personnel operations," comments S. Lester Block, labor attorney for R. H. Macy & Co., Inc. "I believe that recorded information on an employee's race would be a disservice to employees and could actually abet discriminatory practices."

"Further, the proposal that a record indicating the employee's race should be 'kept only under circumstances where it would not be available to those responsible for personnel decisions' is unrealistic and unworkable."

"It is significant that states having long experience with fair employment practice regulations, such as New York and California, have frowned upon racial indicators on employment records."

John E. Stark, vice president of industrial relations, Westinghouse

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CIVIL RIGHTS LAW

continued

Air Brake Co., says, "The completing of forms is becoming a major task. As time goes by, employers are required to complete increasingly more forms, particularly governmental. We would like to see some controls established to exert a diminishing effect on this practice."

Title VII gives the commission access to any records required by it or any state or local fair employment practice agency and makes it unlawful to interfere with agents of the commission.

The commission's attitude toward unions seems to differ from that toward industry. The commission staff proposed that unions be exempted from the record-keeping requirement except in hiring halls and apprentice programs.

Employer representatives further pointed out that Title VII of the Civil Rights Act specifically covers labor unions as well as them. Certainly unions have been criticized widely for discrimination in employment policies.

Lunacy in apprenticeship

It was suggested in workshop No. 5 on apprenticeships and the general upgrading of skills, that the commission consider Title VII violated if members of minority groups are not selected in apprentice programs.

M. E. Lantz, manager of industrial relations for Perfect Circle Corp., Hagerstown, Ind., contends that hiring as apprentices minority group members who do not have the capacity to advance beyond the trainee stage would be "sheer lunacy."

There's also concern over the prospective problem of an owner-father who has spent, say, 25 years building up a business to pass on to his son and then is denied the privilege of hiring him as an apprentice.

"According to present interpretations of the equal opportunity law he could hire his son only if he were at the top of the eligibility list," one executive says. "I am not convinced this is reasonable or, frankly, the American way of doing business."

Workshop No. 6 of the conference concerned hiring, promotions and dismissals. Preferential treatment for nonwhites was put forth as a way to correct past inequalities in hiring.

"Title VII forbids preferential



Farm scene in France, Georges Carveau

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CIVIL RIGHTS LAW

continued

treatment of any type," the commission said in its report on this workshop. But it added that, "After much discussion it was determined that the question was not whether we are meeting the letter of the law, as pertains to Title VII, but whether we are meeting the spirit of the law in going an extra step to provide sufficient means to enable Negroes to obtain jobs on a basis equal with whites."

A West Coast labor relations executive argues that industry already has adequate means to assure merit employment practices "without a government agency—insulated as it often is from an understanding of a free, competitive economy—entering the arena."

Representatives of industry and private employment agencies today complain of the lack of qualified Negroes to fill many present job vacancies.

"We have run into government competition for qualified Negro personnel on several occasions where Negro applicants in whom we have shown an interest have taken government jobs," says Donald S. Frost, vice president of Bristol-Myers Co. "In one particular instance a Negro research scientist left the company to take a government position. It is our feeling that if the government is trying to encourage industry to train and hire Negro employees, the various agencies should be instructed not to compete actively against industry in this area."

Negro employers lose

"From the viewpoint of a Negro employer," says A. T. Spaulding, president of North Carolina Mutual Life Insurance Co., "I am convinced that I have more difficult problems now, because of the loss of trained manpower to white employers. Segregation no longer is a protective tariff for the Negro employer."

Another issue in the race discrimination question involves job descriptions and job qualifications.

Several White House conferees called on industry to train "occupational analysts" to perform job audits, rewrite job specifications and insure that personnel tests are geared to find the right kind of employee. Sometimes, it was said, job specifications are designed to find an employee who can perform a job without training even though it might take only a little training

for an unskilled person to do the same job.

Some civil rights advocates argue that testing is discriminatory per se and that it has been the chief device by which many minority group workers have been denied equal opportunity in the job market.

Some say that tests, instead of being abandoned should be redesigned to meet "realistic requirements" for jobs, putting the accent more on the ability of a person to learn rather than on his technical knowledge.

They contend also that some tests are discriminatory because they contain cultural questions which many nonwhites do not have the background to answer.

"Complete elimination of tests would be terrible," maintains Sherry D'George, owner of a personnel agency in Altoona, Pa. "It would leave us with no way of evaluating an applicant."

"As for the suggestion that the federal government step in and decide what questions should be on tests, we'd then be like the Soviet Union. It would be a catastrophe. The government would be in complete control, telling us whom to hire and whom to fire."

Employers defend tests

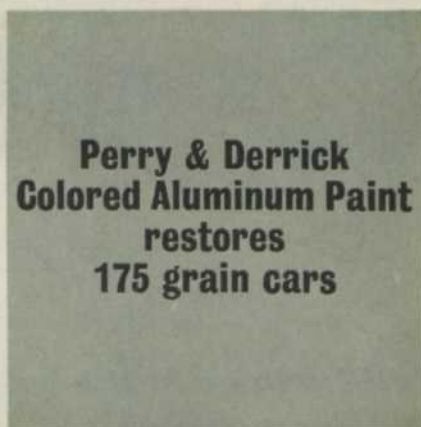
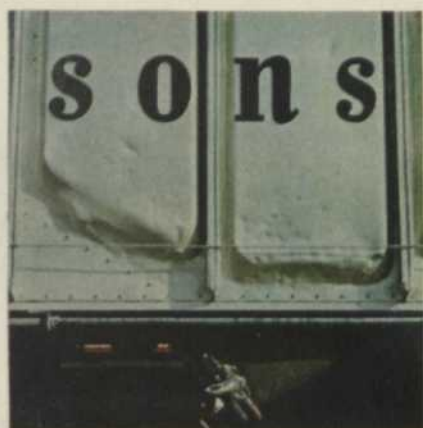
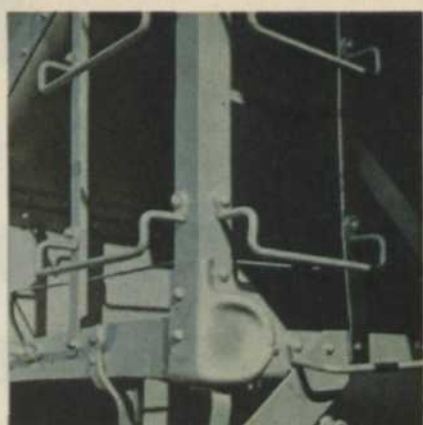
Many employers insist that the use of tests is extremely important in hiring, not as a tool of racial discrimination but as a means for determining skills, abilities, interests and attitudes.

"Testing programs should not be discarded just because some firm abuses them," argues an Indiana industrialist. "The idea of different 'acceptable minimums' for 'culturally deprived groups' is in itself discriminatory and has no place in our society."

The commission should not attempt to force employers to lower hiring standards that employers have determined are pertinent to the job, businessmen argue.

"Industry should strive to cooperate with local school systems to insure that students are trained properly in skills which industry needs," the commission says. "Industry should be more willing to accept persons for employment who lack required skills but have the ability and desire to learn. . . ."

"It is the responsibility of industry and the unions to provide the climate in which equal opportunity to train for employment and to compete for employment exists for all. It is especially incumbent on industry to make known to the



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CIVIL RIGHTS LAW

continued

schools and the unemployed the needs of industry. It is not enough to obey the technical letter of the law. We must go a step beyond in order to assure equal employment opportunity."

Some businessmen will question whether industry should be forced to train people if the job market can produce the applicants needed.

Most businessmen believe that promotions and dismissals should be a function of management rather than subjects for unwarranted scrutiny by the commission.

Management is charged with the responsibility of operating an efficient and profitable organization; every employee's job future depends on this.

"In today's labor market there is an acute shortage of qualified and technically competent people," notes one business executive, "and I can't believe that management would destroy its chance for survival by denying promotion to minority groups."

One of the workshops of the White House conference was entitled "Affirmative Action." Civil rights lawyer Herman Edelsberg, chairman of the panel, defined affirmative action as activity beyond the letter of the law.

Among affirmative actions suggested for employers were:

Voluntary group deeds to create a "climate of welcome for previously disadvantaged minorities."

Aggressive recruiting to counteract any minority group feelings of defeatism or timidity.

Display of commission posters and distribution of information on equal job opportunities.

Contributions to the Negro College Fund.

Spending "idle funds in the development of integrated suburban housing."

Business role limited

Influencing community attitudes can be accomplished only in part by employers, most businessmen believe. "Patience, understanding and education will do more to move the citizenry than any corporate action which to many people has implications of being politically motivated," declares one executive.

"Aggressive recruiting of minority employees for promotion is segregation in reverse which will lead to dissension within groups where a climate of welcome may

once have existed," points out another.

Many businessmen express the fear that the vaguely worded Title VII will be administered according to prejudices of members of the commission. They compare the commission in this respect with the National Labor Relations Board.

James B. O'Shaughnessy, of the Labor Relations Committee of the Illinois State Chamber of Commerce, urges the immediate appointment of a citizens advisory committee to the commission. Composed of business and union representatives, it could act unofficially, suggesting procedures and approving or disapproving rules as made.

"Employers need to know the new ground rules—the procedural regulations under which they will have to operate," emphasizes Howard E. Eades, vice president of research and personnel for W. T. Grant Co., New York.

Rep. Glenn Andrews (R., Ala.), member of the full Committee on Education and Labor, cautions:

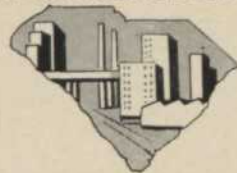
"When an individual risks his own capital and employs people, his capital, and his alone, is at stake and it is not a matter of public concern that he fail or not fail. The prerogative should be entirely his and whoever he hires is an important part of his success or failure. The proprietor of a business is entitled to full responsibility for his business venture.

"It is wrong that a public fair employment commission sit with him on his executive board and direct his employment. They are not a stockholder in his enterprise simply because he might have borrowed from a national bank, or government directly, or may manufacture a product and paint it with a lacquer which has traveled once across a state line.

"Most responsible Americans, and absolutely including the decent and responsible citizens of my state and region, believe in fair employment practices. We may be a long way from that goal—in New York as well as in Alabama—but attempts at compulsion which reach into the private lives and businesses of our citizens harvest more rancor and resentment than equality of employment opportunity." **END**

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Many executives aren't sure just how they rate in their companies



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An executive recruiter adds, "When you know where you stand you can concentrate more effectively on the job ahead."

How can an executive tell how he's doing in his company? A close look at these six factors will help you find out if you are a comer in your organization or if you are spinning your wheels.

1. Your personal sights.
2. Your company's goals.
3. Your compatibility with the boss.
4. Your company's advancement pattern.
5. Your ability as it relates to your ambition.
6. Your company's feedback system.

Your personal sights

Knowing how you're doing will have more meaning if your ultimate destination is clearly in view.

"In these days," says a Connecticut General Life Insurance Co. spokesman, "every company should have its principles and objectives stated in writing. Each executive should, likewise, clarify his own principles and objectives."

It is a highly personal business. The individual is all-important.



Match ambition with ability



Do searching self-analysis

"He's the one who makes the decision as to what his career objectives will be," stresses Richard J. Anton, an executive in General Electric's employee development section. "The individual sets the relative values on different parts of his life. The individual determines the amount of effort or sacrifice he is willing to make to achieve his goal."

This determination is no easy task for most executives, according to Edwin M. Clark, president, Southwestern Bell Telephone Co.

"Many people have never looked deeply enough inside themselves to find out what their personal goals are," says Mr. Clark.

Self-knowledge is a prerequisite for evaluating one's present and future. A case in point involves a plant manager in a small Ohio town who was inwardly torn by conflicting desires he had never stopped to analyze. This executive loved the place where he lived. He enjoyed the weekly bridge sessions, the chamber of commerce affiliation. Each Friday evening he and his wife greatly enjoyed acting in the local dramatic society.

He was perhaps too busily involved in the community and social activities of his town. But he loved every minute of it.

At the plant, however, he played the role of a man whose sights were strongly focused on bigger game in a bigger arena. Then one day his long-awaited chance came through. He was offered a top manufacturing post in one of his company's larger facilities in a big city. He accepted with delight.

The executive hurried home to tell his wife. Her immediate reaction was, "Why, John, this is wonderful. It's what you always wanted."

Then the initial wave of enthusiasm subsided. The executive and his wife turned strangely quiet. Before the evening was over they faced the realization that they were horrified at the prospect of leaving their town and their friends.

There's no question about it. Setting your sights is a complex and deeply personal problem. It requires, as Alfred R. Worster, Chase Manhattan's vice president and director of management development suggests, "some good hard soul-searching and self-analysis."

Your company's goals

How you're doing in your company mainly depends—or should depend—on how much you contribute to your company's goals.

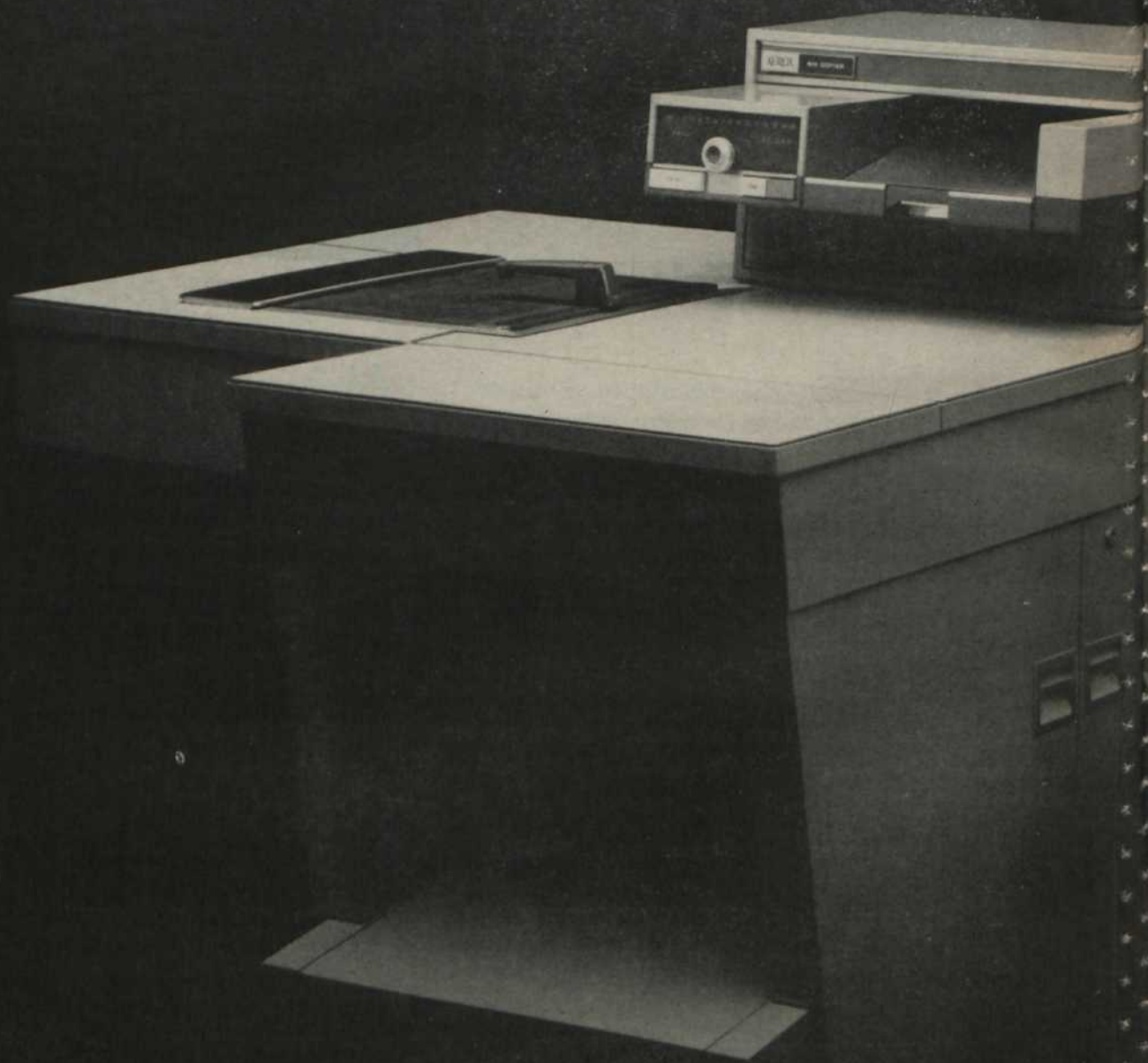
Your answers to these three questions will make all the difference in how well you will be able to determine your progress.

1. Can you sharply define your company's goals and your role in fulfilling them?
2. Do they sit well with you?
3. Is your individual contribution judged fairly?

"Any well managed company has at all times thoroughly formulated long-range and short-term plans," says Karl R. Bendetsen, president of Champion Papers, Inc. in Hamilton, Ohio. "These should

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WHERE DO YOU STAND?

continued

cover not only the company's current objectives, but those it expects to set at predetermined intervals in the future."

To qualify as an efficiently run enterprise, Mr. Bendetsen emphasizes a company must assure that executives are made fully aware of their role in bringing the company's objectives to fruition.

Chase Manhattan's Mr. Worster agrees. He underscores the importance of the executive's complete familiarity with company goals.

This gives him a gauge, according to Mr. Worster, against which he can measure his personal plans for the future.

Almost every company has stated its goals, a New York consultant concedes. "But too often when an effort is made to pinpoint specifics, the goals emerge as fuzzy and gray. Different managers interpret objectives in different ways."

An old established consumer products company had fixed ideas concerning public relations. Traditionally the activities of the company were shrouded in secrecy. Labor, legal and other problems were labeled strictly private by the chief executive. The marketing vice president disagreed vehemently. He was all for educating and enlightening the public, influencing opinion wherever possible.

The two views were irreconcilable, and the vice president could not see fit to yield. In the face of this impasse there was only one move for him to make. He resigned.

Says one personnel executive: "One-man crusades are all well and good. But there comes a time to stop crusading and start pulling together. The inexorable crusader—unless he happens to be running the company—often ends up racing his motor but going nowhere."

General Electric Co. takes special pains to make sure that goals are not dictatorially imposed upon executives. Managers are offered as free a choice as possible in determining their personal contributions to the company's profit goals. "We do this," says GE's Mr. Anton, "because we believe an individual who freely commits himself to the objectives of the company and who chooses to align his personal goals with company progress will be a more intelligently productive employee."

What about the manager whose personal goals do not coincide with his company's? He has three alternatives, according to the Connecticut General Life spokesman.

He can compromise his own goals. He can try to change his company's goals. Or, like the marketing executive cited above, he can resign.

A sales executive's goal was to boost sales seven per cent over the previous year. He didn't even come close. The president was unhappy with the result. But the sales executive staunchly defended his performance. A competitor's launching of a dramatically successful product, and industry-wide failure to live up to sales expectations had made his goal unrealistic, he claimed.

The sales executive's point were well taken.

Says Arch Patton of McKinsey & Co., a management consulting firm: "If a manager's performance is to be appraised effectively it should be judged qualitatively as well as quantitatively."

There are two kinds of goals, Mr. Patton points out. One kind involving production, scrap reduction, targets for attendance improvement, etc., can be readily reduced to numbers. The other kind—building an incentive plan, fulfilling a community relations objective, upgrading of a recruitment effort—is hard to measure numerically.

But, says Mr. Patton, even numerical goals are best appraised by examining qualitative factors closely. These may include unpredictable actions and innovations, economic fluctuations, market conditions, and the like. If an executive's standing in his

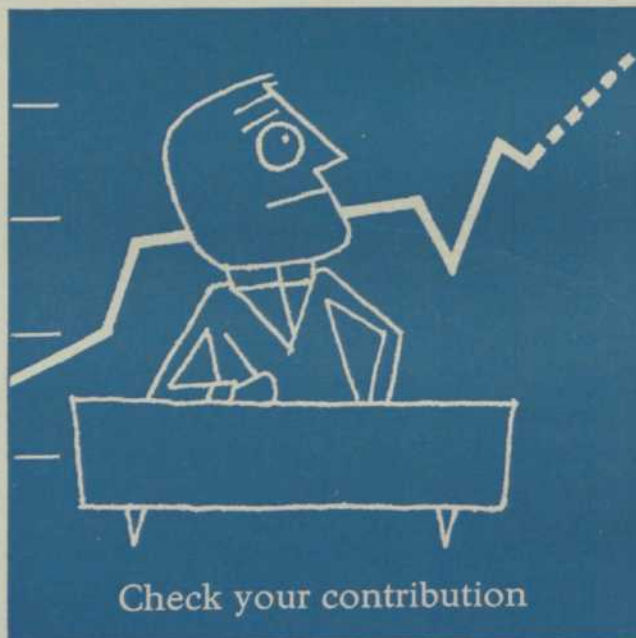
company is to be based on the value of his contribution, the method of judging the contribution is of key importance.

This implies, for better or worse, a long and hard look beneath the surface.

Mr. Patton believes that too many chief executives first set goals, and then measure their fulfillment by the seat of their pants.

They rely too much on instinct and too little on fact-based conclusions.

Is your individual contribution judged fairly? The answer, Mr. Patton feels, depends on how closely your company gears its market and economic intelligence to individual performance appraisal. For example, Executive A, who holds his division's sales steady in the face of declining demand, may be performing far better than Executive B, who has the good fortune to be put in charge of a product that



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WHERE DO YOU STAND?

continued

happens to be riding the crest of a growing market. Fair appraisal takes these external factors carefully into account.

The ultimate objective in judging contributions, says Mr. Patton, is to compensate for all influencing factors beyond the executive's control.

You and the boss

An industrial relations manager in a machinery-producing company performs well, runs a tight operation, suggests important innovations. But he feels he is being hog-tied. A sixth sense tells him that his personality clashes with the boss's.

His imagination? Perhaps so. But it's in his best interest to find out for sure.

According to the book, if an executive achieves his profit goals he should advance. But if the executive and his boss don't get along, for whatever reason, the book is apt to be drastically revised.

Good personnel management contemplates this possibility, according to one management consultant. Champion Paper's Mr. Bendetsen says, "An executive should have an over-all view from top management as to his opportunities for advancement—provided his capabilities and contributions measure up to the needs and demands of his company."

How do you stand with the boss? There's nothing like a cards-on-the-table approach to answer this question.

Unvoiced thoughts tend to heighten doubts. Says Chase Manhattan's Mr. Worster: "I know of no better way to find out what to expect in terms of personal growth, and to make preparations for self-improvement, than to sit down to an objective and constructive discussion with the boss."

Marion S. Kellogg, manager of individual development methods for GE, notes with approval the trend toward increased frequency of discussion between the manager and his boss. "It should improve the understanding—if not the admiration—each has of the other."

Most importantly, it will help the executive to clarify how he's doing in the company.

Your advancement pattern

Interested in a view of the future? Try a searching look into the past.

So says a top-management spokesman of the Connecticut General Life Insurance Co. This executive suggests that the manager make a careful review of his own growth record to date. He should then admit frankly to himself that in all probability his future record will merely be a projection of the past.

Edwin Clark of Southwestern Bell agrees. He also believes that the manager should broaden his outlook.

"An objective analysis of the situation around him is an effective way to determine one's growth potential," Mr. Clark says. "Opportunity for advancement cannot be spelled out in detail by a company. At least not in writing. But it is spelled out in action every day. Each company has its policy for advancing its people. Whether written or unwritten, formal or informal, it is there nonetheless. The way this policy is implemented defines for the keen observer what kind of opportunities to expect."

Mr. Clark poses these questions as an aid to the executive in pinpointing his growth expectations:

How often do managers get promoted?

What kind of people are promoted—family members, fair-haired boys, the best men for the job?

Can you climb the ladder from within? Or are outsiders brought in to fill key jobs?

What role if any does age play in advancing or deterring promotion?

McKinsey's Arch Patton adds one further question: How consistently does your company adhere to its promotion policy?

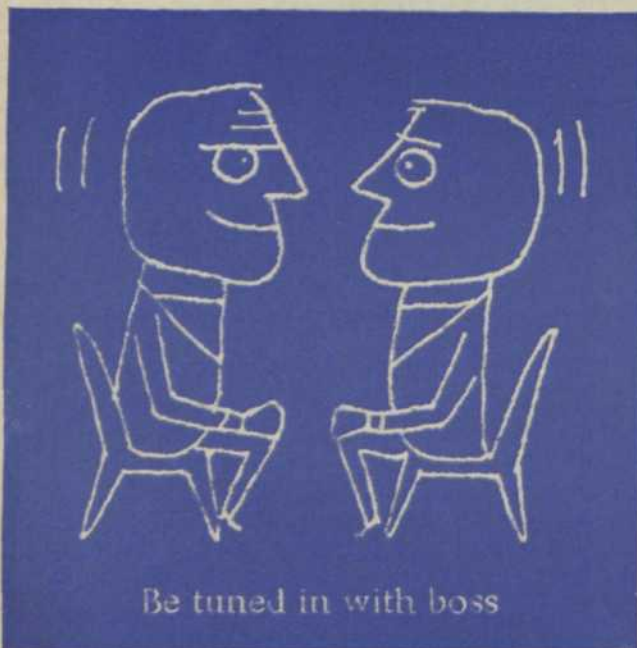
In looking around, the executive must remember to look below as well as above, Mr. Clark stresses. "If men below are being moved up regularly, someone is likely to be shooting for his job. This means a manager may have to begin running faster just to stay where he is, as well as to earn a step up the ladder."

Your ability, your ambition

"The 'mute inglorious Miltons' are more numerous than one might suppose . . .," writes John W. Gardner, now Secretary of Health, Education and Welfare.

"Most of us," he continues, "have potentialities that have never been developed simply because the circumstances of our lives never called them forth."

Undeveloped potentialities plague at least one disenchanted personnel manager. "Executives often become rooted in their jobs," he says. "They perform well on a limited basis without expanding their knowledge or scope. Still, they do contribute to profit goals. They're praised by the boss, looked up to by subordinates. In time it goes to their heads. They



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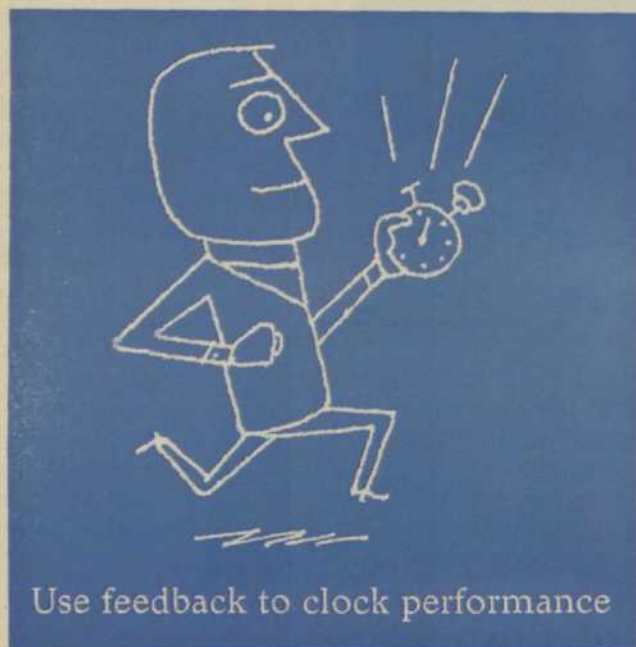
WHERE DO YOU STAND?

continued

ascribe a depth of thinking and sophistication to themselves which they do not possess. The inevitable by-product of all this is often aspiration to jobs for which they are not qualified."

Does your ability match your ambition? The Chrysler Corp. poses these questions to executives and supervisors. The answer lies in objective self-appraisal.

"The good executive doesn't have to have his weaknesses pointed out to him," says Mr. Clark. "He watches the measurements of his job, whatever they may be. He knows if he is improving, slipping, or just treading water and waiting for the next paycheck. The most important analysis he makes is a comparison of today's results with yesterday's re-



sults. This is more valuable than comparing his results with somebody else's."

E. F. Harris, a Chrysler personnel executive, underscores the importance of defining managerial ambition in terms of a specific and tangible goal. The next step is for the manager to determine objectively if he is qualified to achieve the goal.

Development depends not only on intellectual factors, Mr. Harris notes, but on psychological factors as well. It includes the ability to cope with the job, of course. But it also includes the mental stamina to respond with alacrity to sacrifices of time away from home, inconvenience and long hours of work that may be required.

Company's feedback system

The one man with a pretty good idea how you're doing in the company is your boss. But how much of this information is getting back to you?

"When goals are well set and performance appraisal is effective," says Mr. Patton, "the chief executive usually tells a manager how he is doing. But too often this is not the case."

"The average president shies away from this chore because his standards are too rubbery. He hasn't thought them through and this makes him uncomfortable. So he keeps quiet and loses a real training opportunity."

Ideally, a feedback system should be set up in such a way that the manager is fairly well able to recognize the extent of his progress or lack of it for himself. "This becomes easily achievable," says GE's Marion S. Kellogg, "if the results to be obtained are so clearly delineated that there is little, if any, opportunity for misunderstanding. Everything is then on the table. There are no 'invisible' factors, no half-recognized standards. The work contract is complete."

But even under the best established system the importance of feedback by observation cannot be too heavily emphasized. In one manufacturing company a newly employed product development manager viewed the working climate with concern. He saw that budgets were rigidly set but loosely adhered to. It was clear that the chief executive had established close personal ties with many of his managers, and that controls were generally lax. Second-rate performance was obviously being tolerated in a number of areas.

The manager's concern for his own future was well founded.

Observational feedback of this kind is of value to the hard-working executive in appraising his opportunities for growth. If failure is tolerated in a company and sliders permitted to slide, it is just as likely that successful performance will go unnoticed and unrewarded.

Should an executive's boss inform him periodically about his progress? This is a hotly debated question. Southwestern Bell Telephone's Mr. Clark takes the negative view.

"I don't believe in having the boss call a man in every six months or so to tell him how he's doing. Only a weak executive needs reassurance. The good man knows how he's doing (through self-administered feedback)."

"The poor manager won't be measurably improved by semiannual status interviews."

Mr. Clark makes it clear, however, that this does not relieve the boss from his responsibility for helping and developing his subordinates. Or for finding out why, if a man seems to be failing, and doing something about it.

But one point is undisputed. Progress feedback is essential in determining an executive's progress. Whether it is handed down from the boss, or arrived at on a do-it-yourself basis, it's an ingredient which cannot be ignored.—RAYMOND DREYFACK

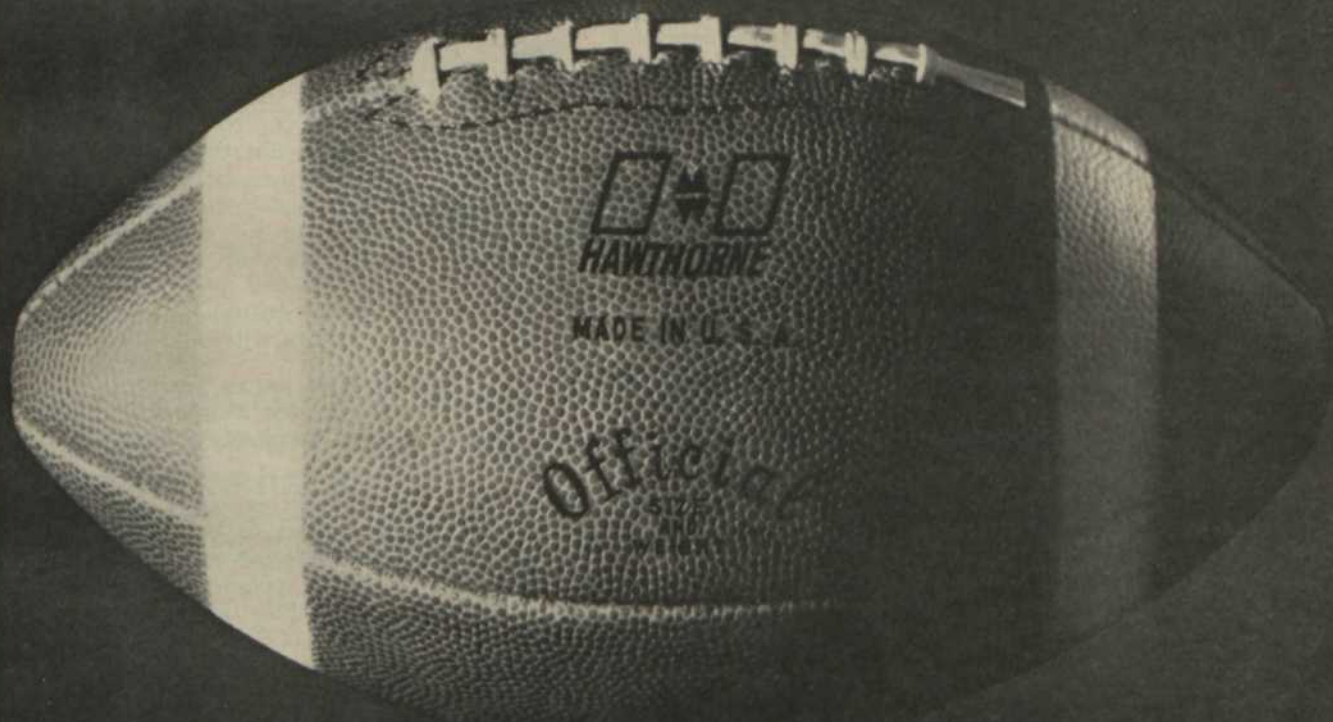
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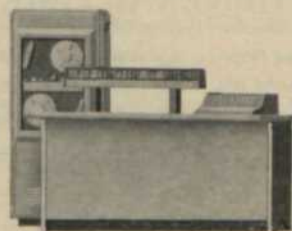
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LESSONS OF LEADERSHIP

continued from page 42

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The importance of quality was brought home to me when I got the first money that I ever borrowed. In 1928, I think it was.

It was at this bank in Quincy, Mass. It had a tower building 14 stories tall—high in those days. They wanted a restaurant in it and came to see me. I told them I didn't know anything about running a restaurant but that I would try. We talked for a long time. Finally I met with the old gentleman who controlled the bank.

I told him the story about my father's business, the importance of quality and so forth. So he turned around to his son and said, "I think you ought to lend this young man \$50,000 to build this restaurant, because he has quality in his soul; he will make good."

You have people around the country who run your restaurants under franchises. Is quality a problem?

You see, I started off mostly on franchises because I did not have the capital to build these places. We still have many of the original franchise people. It got so that after a while we would get a bad one, and it didn't operate properly. Today most of the restaurants are company-operated.

In those days, we had our own formulas for the food in the restaurant. We used to call the book with all our recipes in it "the bible." Every store had one of those. But there was always the fellow who felt he knew more than we did about cooking food. The result was that we got along, but there was a variance in the food from one restaurant to another.

Particularly as you expanded?

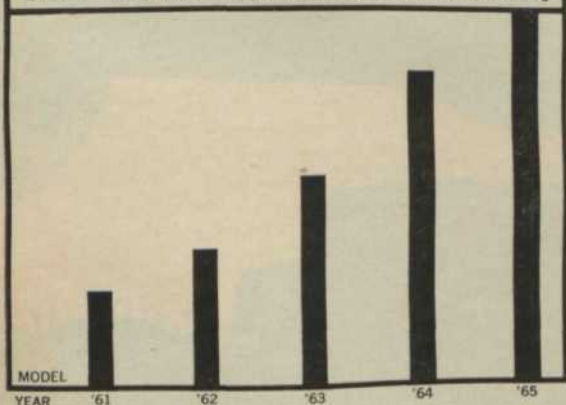
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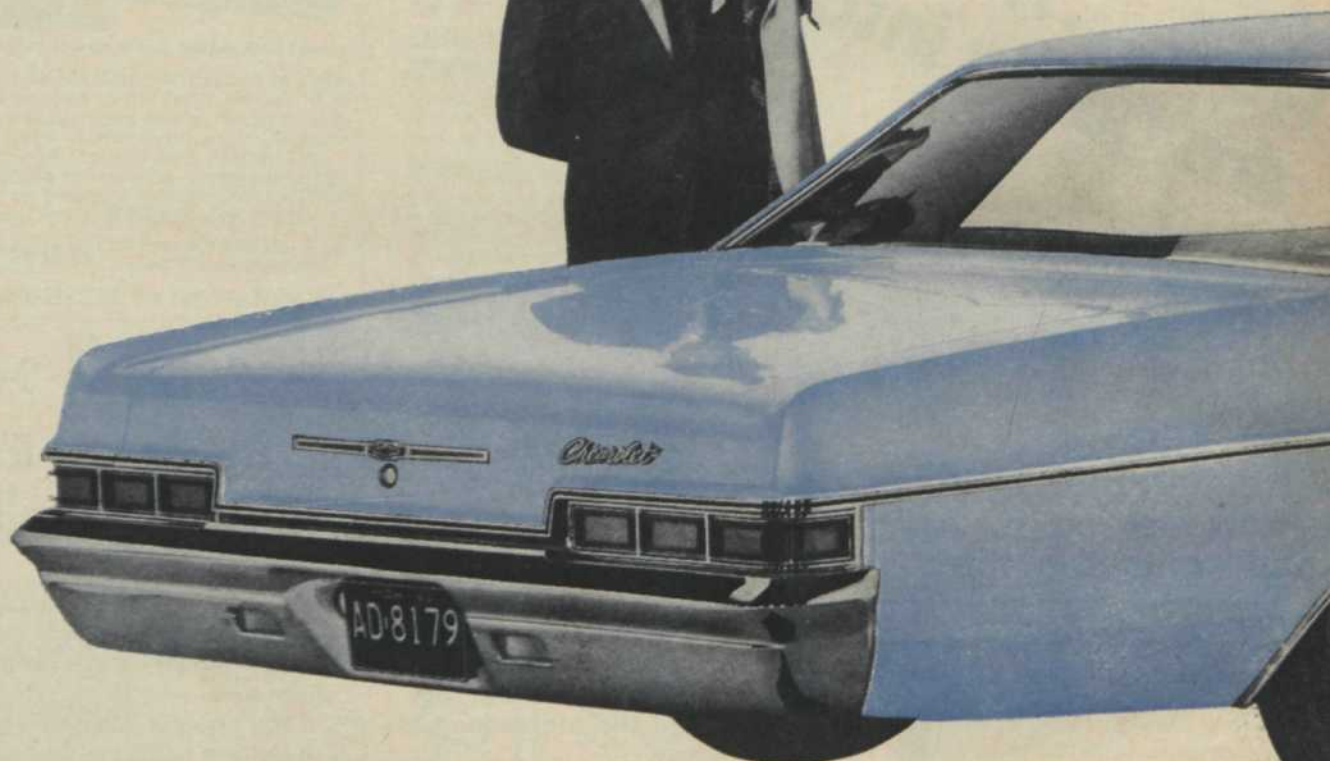
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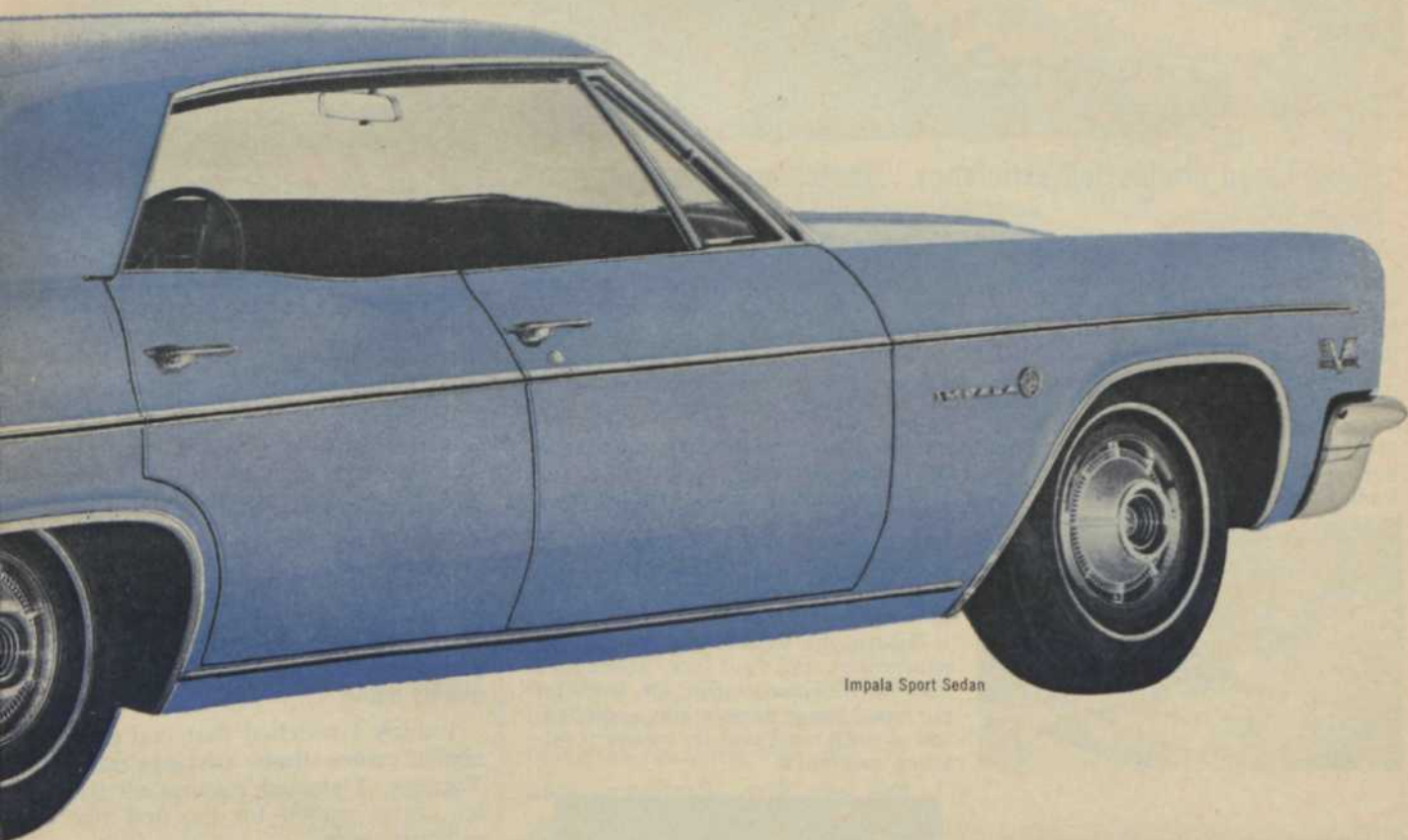
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The result has been that my son [now president of the Howard Johnson Co.] has bought a lot of the franchise stores and taken them over for the company. I think when he came in probably 60 per cent were franchises, and 40 per cent company. Now it is just the opposite: 60 per cent company and 40 per cent franchises.

How did you decide to go into the motel business?

That was a shaky one, in my mind. This was not my idea, it was my son's and it has proven very successful. We ran into a motel down in Savannah, Ga., I think it was. When we announced that we were going to go into the business, this fellow came to see us and wanted the first franchise. Well, we were so nervous as to whether it was going to be good or bad that we would only give him a two-year contract. We could get out if he did not run a good place.

When you were still head of the organization, how did you work to keep quality high?

I think I watched that end of it myself more than anybody else. You see, I started making all the ice cream myself for the first two or three years.

You mixed it?

I mixed the whole works. It was ice-and-salt freezers. I had ten of them in a row going at the same time.

When they started getting into the new method of freezing ice cream—not ice and salt, but the compressor type of refrigeration—I was scared to death it might change the quality of ice cream. For a long time I kept away from using it.

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continued

around your various restaurants by dropping in unannounced.

Yes. That was my life. I had nothing else that I was interested in. I loved that business, because I always felt that you could not be lonely in it. We were open from seven or eight in the morning to twelve o'clock at night, and I could always find something to do. I was always checking.

From a distance I would sit in my car and watch the operation and then go over and watch it again a little bit. I think it certainly wasn't because I was a genius. I was a hard worker and I happened to have a good idea.

On this business of trying to needle people into doing a better job, is this a method that gets results?

Yes, but sometimes it boomerangs. In this restaurant that I opened in Quincy, there was a young fellow who worked at the soda fountain. He was a little fellow, a school boy. Every time that I came in, he would be talking to somebody and not paying any attention to the customers.

So this one afternoon I gave him the devil right there in front of the people that he was talking to.

He said, "You don't like me, do you? Well, I don't like you either. I'm all through."

I was so startled that I didn't know what to say. There was nobody else to do his job that night, so I had to get on the soda fountain and go to work. After you do that a few times, you are a little more careful about what you say and when.

Were you a 24-hour-a-day businessman, the nose-to-the-grindstone-every-moment sort?

I was in those days. I had no other interest but building that business, plus a little fun at night.

I think that was my only form of recreation. I never played golf. I never played tennis. I never did anything athletic after I left school.

When I was younger, I enjoyed boating and fishing occasionally. Then, as I got older, I kind of lost interest in that, and became more involved in the business. I ate, slept and thought nothing else. If I went to a party or anywhere, I would always end up talking business. Actually my business was my fun.

As far as future markets go, do you

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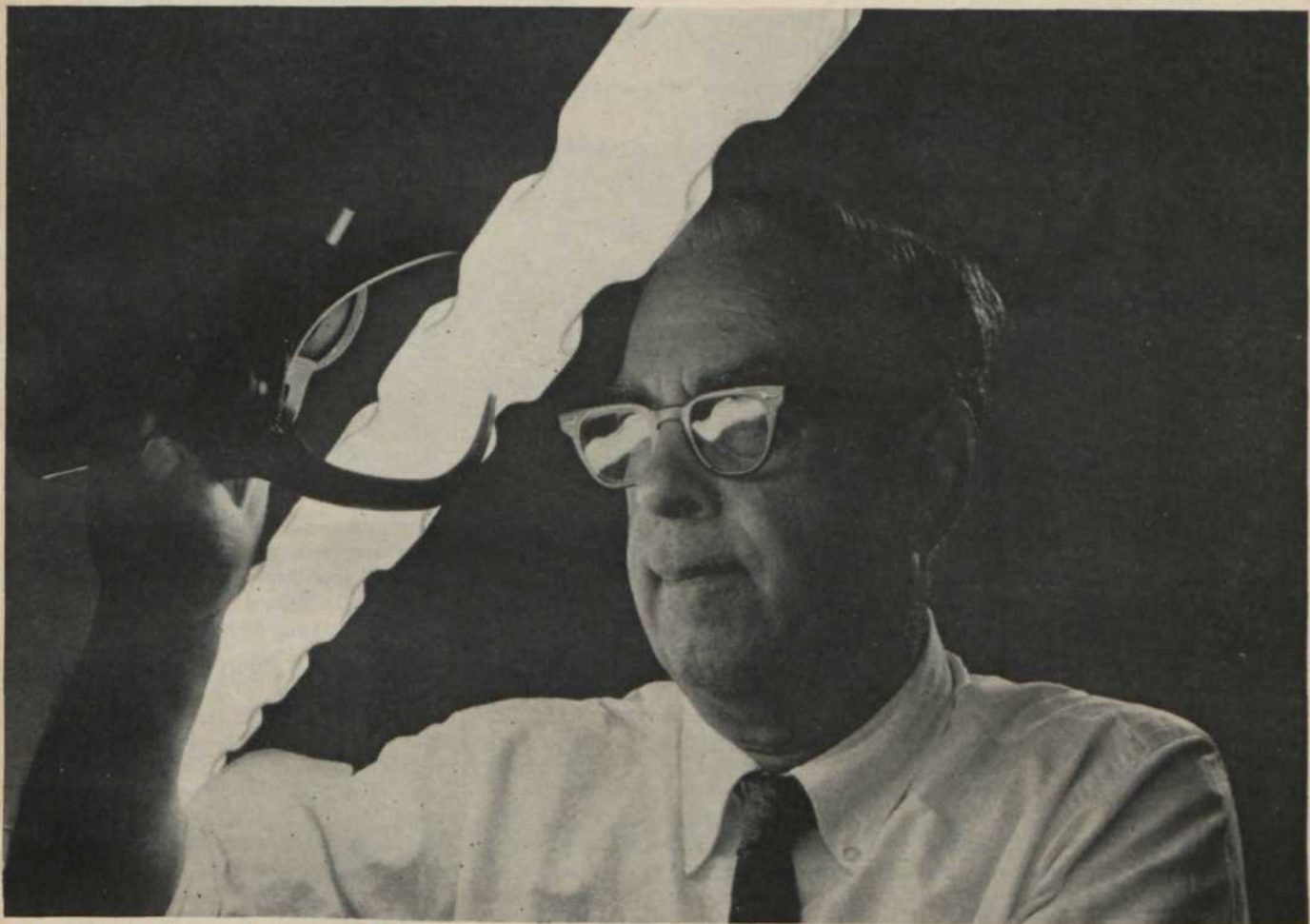
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GENERAL  ELECTRIC

LESSONS OF LEADERSHIP

continued

look for upgrading of the quality people want?

Yes. That's the thing about this business. It is constantly changing. If you don't keep up with it, you can look pretty shabby in a few years.

When I first started, it cost us about \$45,000 to build and equip a place. Today, the building and equipment will run \$250,000.

Evidently you have not been afraid of taking a risk.

No. I figured that I had nothing to lose and everything to gain.

You see, it's different with my son. This business is big. Everything might close if he doesn't do it right. I had nothing to lose. I started with nothing.

But your thinking changes?

Yes. When I got older, I got so that I did not dare take the chances that I did when I was younger because I figured, "Gee, I have this, and I am not going to lose it, if I can help it."

What was your roughest period?

I think my roughest period was when they shut off the gasoline, the war years. For five years, 90 per cent of my places were closed. They just laid there. Buildings were rotting. There was no heat in them, because with gasoline rationing, people would not go 50 feet out of the center of a town. They couldn't. So I had to close up everything and switch everything into feeding colleges, where the training courses for officers were given, shipyards where we would build little places and cafeterias, all army and navy stuff. The thing that I think saved me in those days was the fact that I had big quotas of sugar and cream.

Based on history?

Based on the history of what we had been doing. I was making ice cream for the Louis Sherry firm in New York and people in Boston in those days because I had the cream and they didn't. I had the sugar and they didn't.

Those deals were like finding gold in the street. That actually held this company together. They kept the money moving around so that we could keep paying old bills with new money.

We hung on. By the time the war ended, we were doing more

business than we were before the war started. Then the thing stopped overnight, and we had to start all over again in the original business. The buildings were in terrible shape. We had pulled out all the equipment to put in the shipyards and elsewhere. We had to start building all over again.

I understand you were a pretty good salesman.

That is what I originally was. I think basically all business has some selling in it, don't you? You wouldn't move many goods if there weren't any salesmen. Yet when you get to be the head of a company you have to balance that, because the salesman is the easiest guy for somebody else to sell. One salesman can sell another salesman easier than he can sell a hard-boiled retailer.

I had to get so that I would listen to these "great things" that we were going to do. It became a case of almost being a mediator between myself and my people.

Obviously in the early days you made all the decisions yourself. Were you making the decisions yourself just before you retired?

No. I was operated on about 12 or 14 years ago. I never really had the steam that I had back then. I think the war years took a lot of it out of me because we were working 24 hours a day trying to keep this thing together.

I got so that after a while I was on the telephone all the time to these boys that I had placed around. I would go to the office for a couple of hours, but I did most of my telephoning right from the house; because I soon found out that you could not be flying all over the place and run a business, either. You have to have strong people in every area that you are in.

Then I made up my mind that I was going to quit—not altogether but gradually. My son had just come into the business. I formed a little committee of four of these old-timers who were going to work with him. Then the fellow I had trained as the top man of the group dropped dead. So I found myself back in there pitching again.

Well, I immediately brought my son in five or six years ago as president of the New York company. He was 28. I told him, "I am going to start you at the top and you have to find your way down to the bottom," which he has done.

I started working with my son. But I soon found out that he could

work better with other people than he could with me.

What did you look for in picking key men?

I don't know what I was looking for, actually. Most of these fellows, the key men, had worked with me originally.

They were hard workers. They were loyal. They learned the system thoroughly. They improved things. I suppose I built an organization without realizing the principles of an organization. I knew I had to have it.

I think one of the things that helped me a lot was the fact that I knew I wasn't a college man. I knew I wasn't a high school man. So I had to try twice as hard as the other guy did. The result was that I probably had a little inferiority complex. But after a while I outgrew that and felt that I could do anything.

You mentioned earlier that you figured that there were plenty of opportunities. Do you think a person having just a grade school education today could do what you have done?

I think it is more difficult; because everything is more scientific. But people still do it. There is a little guy who put tile in my bathroom. He and his father can't speak English. They came from Italy. As of a few years ago at least they had practically all the fine marble business in New York City. So it's still there.

I will say this: A fellow who had the same things that I had: ambition, determination, with an education, could have done the job a lot easier than I did it. He would not have had to keep trying things to find out where he was going. He could figure it out pretty well ahead of time.

Education gives a man a great opening wedge; there is no question about that. But there is always the fellow who had to go to work, who never had the college education, who seems to shinny up between these fellows just the same.

Good basic education is a very important thing. If I had had it, I might not be where I am. I might be twice as far ahead. **END**

REPRINTS of "Lessons of Leadership: Part VI: Building from Scratch" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from *Nation's Business*, 1615 H St. N.W., Washington, D. C. 20006. Please enclose remittance with order.

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PATTERN FOR SUCCESS

Marketing strategy brings higher sales

The third article in a series re-creating
Harvard's Advanced Management Program

THE PARLOR CAR of the New Haven five o'clock train was crowded with holiday travelers as Gordon Churchill settled into one of the remaining chairs, loosened his necktie and opened his brief case. It was December 29, 1960. Churchill, president of the Bergman Wire and Cable Company of Cohasset, Mass., had a nine o'clock appointment in New York on the 30th with the chairman of the board of the company. The meeting was being held to discuss proposals for reorganizing the Bergman sales organization. . . .

So begins one of the marketing cases in Harvard University's Advanced Management Program. You, like the other 159 participants in the program, for the moment become Gordon Churchill.

As the new president of a firm, you must decide whether you have an organization problem, a people problem or an executive leadership problem. You must decide whether you have to redo your entire sales setup.

As you, the advanced management student, read on into the complexities of the case, an uneasy feeling comes over you—a feeling you get often during your 13 weeks in the program. It's as if you were trying to put together a giant jig-saw puzzle with pieces that keep changing their shapes and colors and with nothing but your own ingenuity and skill to determine what the final picture is to be.

You are learning to think like a top executive.

Prof. E. Raymond Corey, the program's stimulating faculty chairman, believes one of the biggest jobs in converting a middle manager into a general manager is to wrench him out of narrow, specialist viewpoints—to get him to see his enterprise as a working whole.

Such is the perspective Prof. Corey asks you and other "AMPs" to adopt when attacking marketing problems.

Marketing misconceptions

The common view that marketing is limited to the actual sales transaction, or even to selling in general, is a misconception, insists Prof. Corey, who also is vice president of the American Marketing Association and consultant to several firms.

Neither is marketing a collection of functions like product planning, marketing research, promotion, warehousing, pricing and distribution.

"Both ideas miss the real excitement of marketing," Prof. Corey says. Prof. Corey obviously has found real excitement in marketing. Teaching in his shirt sleeves, he quickly fills three blackboards with ideas and responses he draws from the AMPs. He talks about marketing with an intensity—as if he were letting you in on something tremendous. But he flecks his comments with subtle humor.

One of his favorite techniques is to lead you into making grandiloquent utterances on subjects to which you may not have given enough thought. Then he will sum up your remarks with a straight-faced statement like, "So your view is that we should always be ethical in our marketing practices—providing it's profitable."

The main concern in developing a marketing strategy, Prof. Corey contends, is to see that all the elements in that strategy fit together and support each other and that the total strategy focuses on the customer.

In all marketing situations, you are reminded, the following questions must be answered: What speci-



Learning goes on outside of class, too—as in this small room used after breakfast for discussing the day's cases.

cally is the product? What is the market? What is the competition?

Seems obvious. But the product *is* what the product *does*, as Prof. Corey points out. The product must be thought of not just as the physical object but as a total package of customer values: the brand name, the services, the relations with suppliers, the product image, the psychological satisfaction the customer gets from owning and using the product.

Now you're a consultant

To emphasize this you study cases prepared by Harvard researchers. Usually, as in the Bergman Wire and Cable case, which you will hear more about later, the firms and persons are disguised. The business situations, however, are real. Often the actual company's name is used. In the classroom and out, the company's problems are your problems. You live and breathe them.

You consider yourself a consultant, for example, to the Butcher Polish Co., a small New England manufacturer of waxes. The company is thinking of trying to sell its floor wax in supermarkets in com-

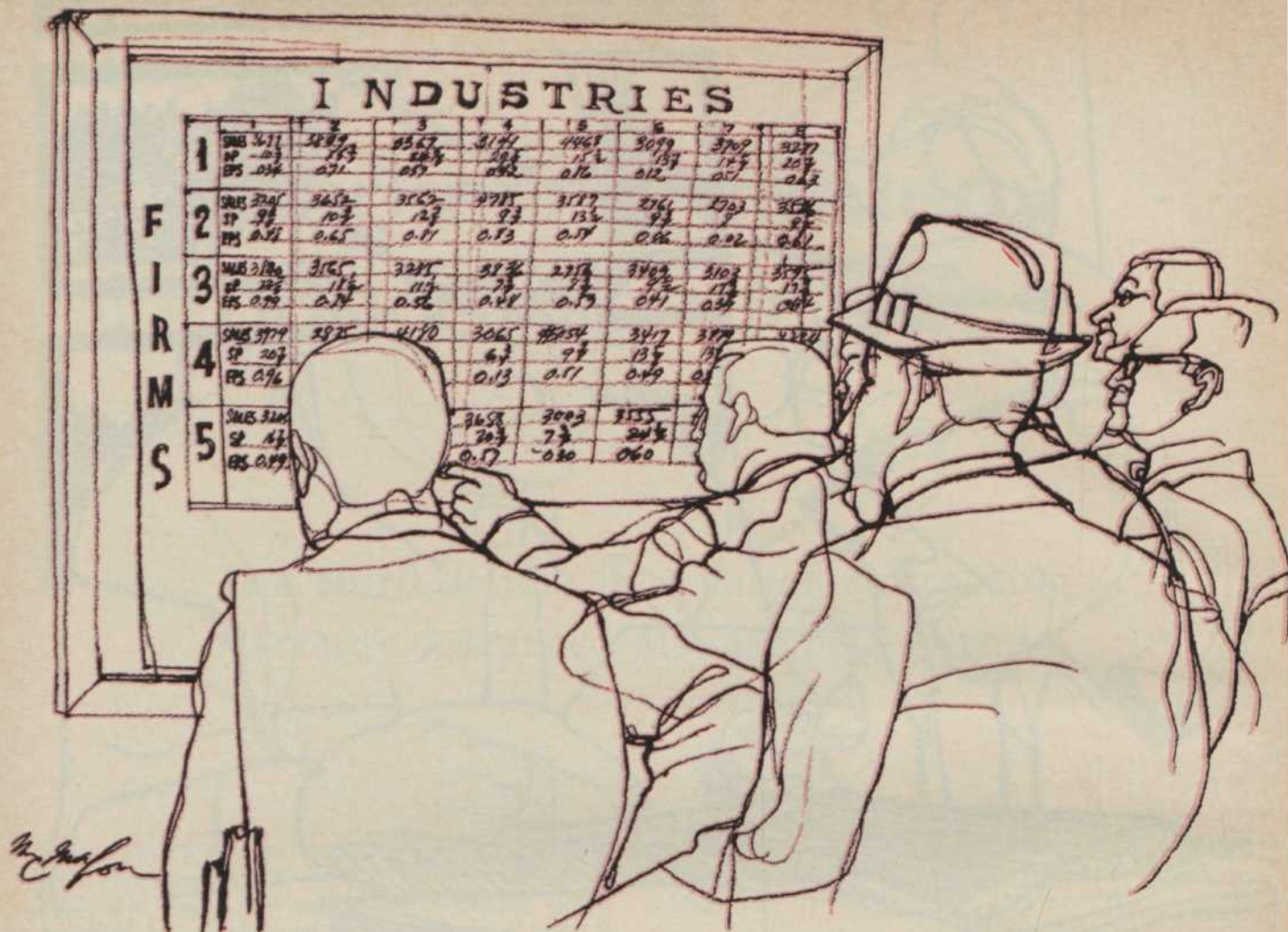
petition with lower-priced, more widely distributed waxes. Up to now Butcher has sold its wax at a premium price mainly in hardware stores. By giving dealers high margins, Butcher has encouraged aggressive selling. Such is the "push" technique of selling; the clerk promotes the product to the customer.

A big wax-maker, like Johnson, as a result of tremendous advertising campaigns, expects the busy shopper to recognize its brand immediately and snatch it off the supermarket shelf. Here the customer "pulls" the merchandise from the store owner.

"Both companies are selling wax," Prof. Corey reminds the AMPs who are seated in tiers around him. "Which company is selling it the right way, and which the wrong way?"

The AMPs quickly respond that both techniques are right. Although the product is basically the same, they observe, the brands are being sold to two different market "segments" characterized by different shopping habits, attitudes toward the home and in amounts of time available for shopping and taking care of a house.

The large manufacturer probably is selling to the



AMPs study results of an elaborate business game in which they're able to sharpen their marketing skills.

PATTERN FOR SUCCESS *continued*

busy housewife with lots of children to bring up—the woman who is short on time. Butcher's wax, on the other hand, probably sells mostly to ladies whose children are grown and who have more time to spend shopping. Perhaps their own mothers used Butcher's wax.

Butcher's pitch is that it offers not just a floor wax, but the Lincoln Continental of waxes.

Most AMPs thus recommend against Butcher's going all out to compete directly with the more popular floor waxes in supermarkets. They argue that Butcher should continue to sell through hardware stores where retail clerks can help maintain the "premium" image.

The Butcher case demonstrates, of course, that a single product can have different kinds of purchasers. The same product can have different meanings for different people. There are thus different market segments, and the seller needs to identify and analyze the particular segments on which his marketing strategy is to be targeted.

Having stressed the importance of knowing your product, your market and your competition before drafting your marketing strategy, Prof. Corey looks

with you in depth at some of the essentials in marketing strategies. These involve some head-scratching questions.

How, for example, do you analyze costs for pricing purposes? It's not easy. Among other things, you have to make choices between full costs and variable costs and between current costs and future costs.

The full cost for a contract job would include the direct cost of labor and materials for that job, plus a share of the overhead, such as depreciation and expenses for janitorial services and maybe company nurses. Of course, if you don't get the contract, you will still have the overhead expenses. The variable or out-of-pocket costs are those you incur only when you take on a contract.

You consider the case of a firm that tries to estimate future costs by using a learning curve. To illustrate what a learning curve is, suppose you figure that it will cost you \$1,000 each to make 100 units of a new product. But you think you will have learned enough to be able to make the next 200 for \$800 each. The next 400 units you expect will cost only \$640 each. Each time you double production

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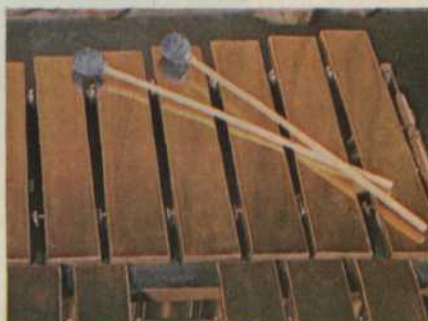
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PATTERN

continued

the expected unit costs are 80 per cent of what they had been previously—down to a certain point, of course. You thus are said to have an 80 per cent learning curve.

By using a learning curve, you get some handles by which you can estimate costs to help you to know what to bid, say, on a defense contract.

Once you have determined the pricing range you have to work in, you can pinpoint the price. This involves getting answers to several more questions.

What, for example, is the demand for the product your company makes? Also, how elastic is demand for that product generally? That is, if prices are lowered significantly, will it increase sales for your company and the entire industry? This is especially relevant if you are a price leader.

You ponder over cases of industries having little volume change with price changes. You study others, including the plastics and aluminum industries, in which there are significant changes in sales volumes as prices decline.

Naturally, your price decisions bear directly on another element in your marketing strategy, the selection of channels for distributing your product.

Direct selling and selling through independent distributors are often regarded as alternative routes. However, you study cases in which the routes are combined. In the Allegheny-Ludlum Co. case, for example, stainless steel sheet is sold through A-L field salesmen in the same territories as it is being sold through distributors. You are asked to resolve the apparent conflict.

Which sales route you choose—direct to users or through distributors—often depends on how broad your product line base is, how concentrated the customers are geographically and how high the sales per account are.

Your method of distribution also, of course, depends significantly on how customers buy. Your customers may want one-stop shopping for a long list of small items, many of which you don't make, or they may wish direct relationships with the manufacturer.

There are still other considerations. Your own direct salesman can concentrate on your line, provide good technical services and give you better feedback of sales

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PATTERN

continued

data. The distributor who handles many lines may not take initiative on any one of them. But he still may be able to sell more in his own area than your own man.

To a large extent, how effective your system is if you use distributors depends on what power you have to get the best distributors and to control or to influence them with regard to your product line.

The degree of power depends in turn on how good and therefore desirable your line is, what margins you allow, how much of the individual distributor's income your line accounts for, how strong your advertising and brand name pull through, what concessions you give—such as exclusive distribution or financing—and what "missionary" sales support you provide.

If you have a mixed system which includes independent distributors and your own direct salesmen, it is important to hold a steady course, to have a clear-cut policy regarding territorial rights. A distributor doesn't want to risk losing his business to a company salesman.

In all marketing situations you

can go a long way with your own analytical reasoning based on observation and knowledge, but the time comes when more formal study—marketing research—will be needed. You can rely on either your own marketing research department or outside help.

Marketing research covers a broad range of activities, such as continuing sales analysis, sales forecasting, estimation of the size and character of potential markets for a new product, identification of buying motivations and patterns of behavior, and determination of the effectiveness of advertising.

Continuing sales analysis is one of the most useful things you can do. Men in marketing know this, as well as other basics considered in this phase of the AMP program. But for executives who have become steeped in other duties, new horizons are opened.

Facts about sales territories, price changes, new products, new plants are all readily available through sales analysis, but you will need a system for filing and using them. You must decide what things you want to watch and then see that the information gets used.

Sales forecasting may be difficult, but it is necessary for production, planning, budgeting and setting sales quotas. You need both "top-down" and "bottom-up" forecasting, you are told. In the former, someone at headquarters makes the estimates, based perhaps on analysis of key accounts and trends in the industry and in the over-all economy. In the bottom-up approach, of course, your sales districts tell you how much they think they're going to sell.

A sales barometer

Sales forecasting, as all good salesmen know, also employs correlations. You can correlate, for example, increases in the sale of school books with increases in the sale of children's clothes.

On marketing research, the best and most useful source, Prof. Corey says, is your own information system—the critical analysis of readily available data.

The popular and controversial motivation research is among techniques you discuss. It seeks to probe deeply into consumers' underlying emotions and drives and to relate these to buying behavior.

A big problem is keeping marketing research closely linked to decision-making. Obviously, marketing research people must learn to sense management needs and to

communicate with management. On the other hand, management must form the habit of making decisions based on analysis.

Top management men should first define the problem carefully and go as far as they can in forming some ideas about the answer. They should then decide whether marketing research is needed and how much they can afford to spend on it. Finally they should check the relation between results and recommendations.

One of the trickiest aspects of marketing, you are cautioned, is managing customer relations. It can involve ethical questions and conflicts of interests.

In considering the development of customer loyalty, you take up cases involving product service, technical service, competition with your own customers and reciprocity.

There are cost considerations; for example, how much can you spend for product services? Also what is the extent of the customer's commitment to buy from a supplier who gives him technical help?

Such situations are decided basically by the relative power position of the supplier and the customer. For long-run marketing effectiveness, however, Prof. Corey and most AMPs agree, you need to be governed by a sense of ethics.

You are asked in one case to consider yourself a consultant to the Marietta Pulp & Paper Co. The firm has always bought chemicals from the Coburn Chemical Co., and Coburn has been a good customer for Marietta's multiwall bags. But lately Coburn, under pressure to buy more bags from another of its good chemical customers, has been buying less from Marietta.

You are asked to decide whether it is wise for Marietta to retaliate, perhaps by buying more chemicals from another firm and less from Coburn. Marietta has never had a definite trade relations policy. But over the years, reciprocity simply sprouted and has grown.

Debate among the AMPs on reciprocity is hot. Some believe Marietta should retaliate. Some believe it should not resort to reciprocity at all but buy only where it can get the best price, regardless of whether the company is a customer. Some go for a blend of the two ideas based mostly on past practices. Others want reciprocity used only as long as it is not detrimental to the company's long-term profits.

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PATTERN

continued

procuity you really get fouled up," comments one AMP, who is commercial manager of an English container company.

"You can't set a policy, because reciprocity means more to one firm than to another," an executive from an American engineering company retorts. "Some firms place high values on it. Different customers have different policies."

"If your policy is too firm and public, you may leave yourself open to legal problems," a lawyer from a large oil company warns.

"Put a dollar value on reciprocity," the assistant controller for a food firm suggests. "Get an economic handle on the problem."

"I don't think the practice of reciprocity can be judged generally as ethical or unethical," Prof. Corey interjects in one of the rare occasions in which he offers his opinion on a case. "It must be considered case by case. It depends on how you use it and the effects of it on customers and competitors."

He says it would seem fair for a salesman to tell a potential customer in a polite way something like, "We buy a lot here, and at least give us some consideration when you are deciding on a supplier."

"There are degrees of persuasion," Prof. Corey continues. "It depends on how much force is used. Remember, too, you can rely too much on trade relations at the expense of product improvement and good service."

To be successful in managing customer relationships, it is important to understand your customer thoroughly. Ask these questions: Why does he do business with us? What are his relations with other suppliers? If we use pressure, how will he respond and what will his other suppliers do? What is his image of us? What does he expect?

Where you have economic power, it is wise to use great restraint. The power situation is always changing. This is shown in the Marietta Pulp case. Although Coburn Chemical has the upper hand for the moment, Marietta is thinking of building another plant near one of Coburn's subsidiaries. The subsidiary will want to woo the new plant as a customer. Thus Marietta may suddenly be in the better bargaining position.

If you do gain a customer through reciprocity, Prof. Corey suggests

you should develop the attitude, "We made it, now let's earn it."

Never put your customer in a position where he will be glad to be "out from under," he warns.

Changes in your marketing organization must follow changes in marketing strategy. The new wine usually doesn't fit the old bottle.

Your marketing strategy, then, determines the way you organize to carry out that strategy. Different kinds of marketing organizations are needed, of course, when a product is in the basic development stage and when it is in the maturity phase—simply because the marketing task differs at each point in the products' life cycle.

You study the way E. I. du Pont de Nemours & Co., reorganized marketing in its Textile Fibers Department in 1951 and again in 1955. You see the company go from a separate sales force for each fiber—rayon, acetate, nylon, Orlon and Dacron—to a single sales force carrying all five fibers. You see the organization structured to focus on such end-use markets as women's wear, men's wear and industrial markets. You are asked to weigh the consequences.

As the discussion moves on, you begin to understand how changes in the competitive environment and in the nature of the marketing task lead to organization changes.

Such was at the heart of Gordon Churchills' worries aboard the train to New York in the Bergman Wire and Cable Co. case. One sales department was selling the products of three manufacturing departments. Sales volume and profits had deteriorated and the heads of the manufacturing departments wanted the sales department "liquidated" so each could have his own sales force.

Was it basically an organizational problem, a people problem or an example of ineffective leadership at the top? The AMPs are perplexed and undecided as a group—but each holds firmly and vigorously to his ideas of what action Churchill should have taken.

As you read and discuss the cases of Du Pont Textile Fibers, Bergman and others, a pattern begins to emerge. You see that when you design marketing organizations, you ask first what is the nature of the market and what are your marketing objectives.

You look at the relative costs of organizational structures in manpower and dollars; you ask where in the organization you want what decisions made; you must set up

the organization so it can be operated effectively by human beings with all their limitations.

It is important to remember, too, that any organizational unit will try to do best what it thinks it is being measured on. It should have reasonable control, then, over the elements which affect or determine its performance.

Three necessary abilities

Prof. Corey recognizes three abilities that a general manager needs to keep him out of trouble in marketing. They are: great sensitivity to signals of change, a willingness to act and skills in persuasion.

Every sales program in the land is out of date to some degree because of wide and continual change. If the general manager does not stay aware of changes—changes in buyers habits, competitors' prices, ways of producing, outlets for sales promotion and the firm's relations with jobbers and wholesalers—his best laid marketing plans will rapidly deteriorate.

"New products create new ways of doing things," he points out. "Always you must ask yourself whether an innovation can be slipped easily into the old system or whether it will create new patterns."

You are reminded by Prof. Corey and other AMP professors that marketing is itself but one of the general manager's concerns. You will be expected to mesh marketing decisions with long-range plans for company expansion and new products and with labor relations, the personnel set-up, the financial picture, miscellaneous company policies, the health of the industry and the whole state of the economy.

"The very successes of an organization can be its seeds of destruction," Prof. Corey warns. "You will find many companies pushing a winning combination long after the name of the game has changed. Someone has to articulate the new challenges, adapting the concern to the changing environment, setting it to work on new opportunities."

That person, he says, will be you.

[Next month: The Advanced Management Program looks at labor relations.]

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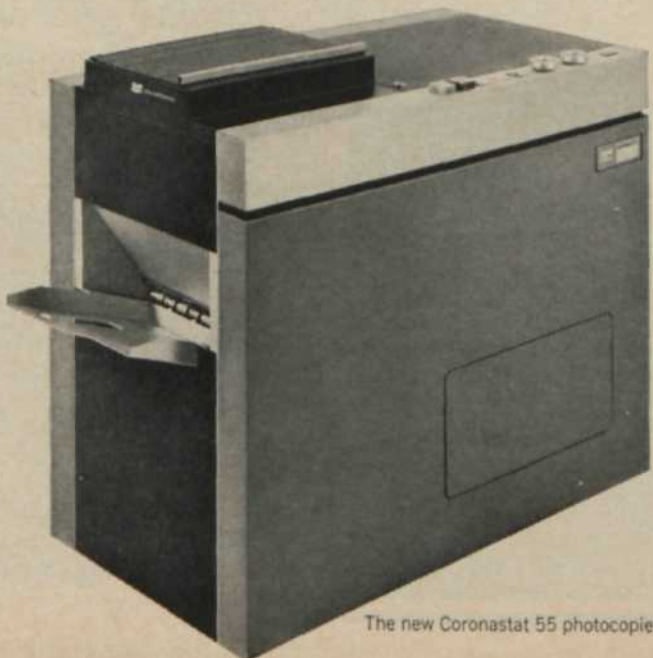
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WORLD BUSINESS: WHAT TO EXPECT

Special quarterly report
for Nation's Business by
the respected Economist
Intelligence Unit, London

Coming: Billion-dollar Red market?

The Johnson Administration's increasingly open-minded attitude toward East-West trade could herald new profits for business—if American companies take advantage of big changes occurring in Soviet-dominated East Europe.

The area has been controlled by the Russian answer to the Common Market—Comecon. But now the bloc is looking west for solutions to basic problems.

Free-wheeling President Tito of Yugoslavia and the nationalistic Romanians have tired of "Red" tape. The Czechs, too, are giving capital-

ism a try. Theirs is a last-ditch attempt to overcome two years of stagnation; free-market concepts have been grafted onto the rigid limbs of socialist planning. Led by tough party pragmatist, Dr. Ota Sik, the regime is encouraging the consumer's right not to buy.

In the future, Czech enterprises will have to sell to gain revenue, simple arithmetic in our terms, but a shock for a state-run satellite—and an opportunity for the ambitious exporter. Dr. Sik told Czech industry that if it could not deliver the goods then the border would be thrown open to foreign suppliers.

Already 20 per cent of the powerful industrial machine is working according to the new system; 1966

will see its full introduction. A nine per cent jump in industrial production in the first half of 1965 promises more gains.

What are the prospects for American business to get a slice of this sophisticated, traditionally industrial market?

Currently two thirds of Czech-Western trade goes to West Europe, giving EFTA-Common Market businessmen a hefty \$750 million annual turnover—and it should grow by seven to 10 per cent a year. This is only 15 per cent of total Czech trade, of which the United States share hardly shows—remaining at little more than \$25 million in both directions.

No wonder Czech planners look to Western Europe. Russia can deliver raw materials, writes a Party daily, but "on the other hand . . . Czechoslovakia intends to buy modern machinery and equipment on a greater scale than in the past and to extend the granting of licenses to west European countries."

To spur domestic growth, Czechoslovakia is opening new trade doors to nations of the West. Below: a recent industrial exhibition at Brno.



EASTFOTO

Europe goes on chemicals boom

American chemical manufacturers face difficult but exciting prospects in Europe.

The old soft option of exporting marginal production from U.S.-based plants becomes less attractive as tariff defenses are strengthened and European industry reaches the level where it can compete internationally. Any producer determined to take part in the growth of the industry in Europe faces the need to invest, and on the largest scale.

Gone are the days when chemicals in Europe, painfully recovering from the war, were technically backward.

Gone are the days when massive imports of many tons of organic chemicals were welcomed.

The lead that the American industry, particularly Gulf Coast petrochemicals, got during the '40's and '50's is still there, but it is no longer immense.

European producers are now on an investment spree that could wipe out the American industry's last significant advantage—the economies that come from large-scale production. In the past year nearly all large producers have announced plans to build ethylene crackers of up to a quarter of a million tons. The largest, Britain's Imperial Chemical Industries, is said to be planning the next step, a cracker of nearly half a million tons capacity.

But the attractions of the European market still remain. Chemicals are the fastest-growing major market in the world. It will still have a profitable appetite for imports of specialized products.

As markets grow to sizes which will support economic production, companies must center their European operations, including production, in Europe.

Dow is now building a \$100 million petrochemicals complex at Terneuzen, Netherlands. Newcomers

are still arriving. Only a few months ago Du Pont announced its long-delayed plans for synthetic fibers; Gulf is getting into the act at Milford Haven, England. As the market develops the entry fee gets bigger, the investment needed to get in more massive. It is probably still worth paying. Europe has a long way to go.

Britain gropes for a way out

Britain's reserves this fall amount to \$2.5 billion, every cent borrowed.

The cost of the longest sterling crisis since World War II has been industrial slowdown, rising unemployment, the biggest international borrowing operation in history, a surcharge on imports (to a great extent ineffective), and postponement of fast, sustained growth.

The danger that still threatens: more years of stagnation, unemployment rising to a politically intolerable level, additional import cuts, the further world trade decline that this implies, and even defaulting on debt repayment, much of it owed to the U. S. A radical re-examination of Britain's competitive position in the world may be made soon.

A report of how competitive Brit-

ish products are with manufactured imports is one straw in the wind. American exporters will take heart in this report's recognition that for much industrial machinery, price is not the main consideration.

Design, performance and sheer availability are what matter. These were the main factors behind the massive growth in Britain's machinery imports in recent years. British firms didn't have the right machine. Foreigners did. Import surcharges don't keep this sort of product out of Britain.

With devaluation and really big export incentives ruled out, Labor sees wage policy as the only way to make Britain's products competitive. They want to compel unions to give advance notice of wage claims so that they can be officially studied. For the country that first created the trade union's right to free wage-bargaining this is a big step. It's a good measure of what is at stake.

Time to think Japanese?

Will Japan dismantle its remaining quotas on industrial goods? It certainly looks that way—especially now that import restrictions on automobiles are being eased.

Other quotas also will be scrapped, more quickly than hardened salesmen ever thought likely. The Japanese government feels the time has come for Japan's industries to stand on their own feet.

The automobile quotas have done their job. The Japanese manufactured 619,000 passenger cars during calendar '64. They imported only 12,000, a bare two per cent of their production.

So far the only foreign producers that have made any real impact on the market have been the Germans and British. American manufacturers have lagged, with only 105 vehicles sold in the first half of 1965. The Germans mustered 2,802. And it's the British, not the Americans, who seem to be making the major preparations for the Tokyo Automobile Show.

If the Americans don't start having a serious crack at this market now, they may be left far behind in the larger and very much freer Japanese market that must come one day.

More liberal trade policies are taking shape in surging Japan. The big question for the U. S.: Can our companies capitalize on this new move?



BLACK STAR

continued

Freight-rate collapse sighted

World freight rates could take a beating next year unless the war in Asia spreads and bolsters them.

So much tonnage is now on order in Europe and Japan that chances are it will outstrip the growth in world trade once again.

This year the precarious balance between world ship supply and demand has kept dry-cargo freight rates high. But more than 33 million tons of tankers and bulk carriers were on order throughout the world at the end of August. And the rush for new ships goes on because of the phony credit race between shipyards in Europe and Japan, with each ship-building country trying to offer lower credit.

Before the new tonnage is launched the outlook for shipping companies, especially American firms, stays bright. Freight rates should remain firm this year and at least part of next.

India needs more wheat and Pakistan will probably be in the market as well. Whatever happens between the two countries, wheat is one commodity that neither the Chinese nor the Russians can supply. U.S. ships

are also carrying maize to famine-stricken Kenya. With all this it looks as if American shipping companies will improve their reputation.

South Africa on the rebound

Only Britain sells and invests more in South Africa than the U.S. does. So only Britain is likely to be hit harder than the U.S. by the recent squeeze on South African imports. It's proving much more difficult than expected to digest the four-year boom there and put the economy in shape for the next round of expansion.

South Africa's trade gap rose eight-fold from 1962 to 1964. Foreign exchange reserves have almost been halved in 18 months, so a temporary cut in imports was inevitable.

But temporary is all it is likely to be. Basically, the economy is amazingly strong. U.S. exporters did over \$400 million worth of business in this market last year. The rebound is worth preparing for.

Harvesting gold

Russia's massive re-entry into western wheat trade will reverberate through many more markets than those of Canada, France and Argentina, which got the Kremlin's orders.

Russia might easily be in the

market for another million tons or so next spring. This doesn't necessarily mean she will follow the 1963 pattern and negotiate for U.S. wheat shipments, but she might.

Other grains that can be even remotely substituted for wheat will benefit. This could, indirectly, brighten the prospects for the Kennedy round negotiations—deadlocked for months—by easing pressure on the U.S. government to get some worthwhile concessions on agricultural trade from Common Market countries.

Also, there's the effect on shipping. Freight rates are going to move farther up in the next nine months as the shipments take place. Rates for tankers will be pulled up, too.

There could be important repercussions in the rubber market, if the experience of 1963-64 is anything to go by. Russia's virtual withdrawal from the market then, when her foreign exchange reserves were needed to pay for the wheat, led to a sizable fall in rubber prices. The market has barely recovered from this drop even now that Russian buying is back.

The fact that the Soviet Union is paying for the wheat in gold, as last time, could have the most important results of all. For the West, threatened with a growing shortage of international liquidity, these sales of gold could hardly come at a better time.

CONNOR

continued from page 36

Syracuse. But talking with Mr. Connor you feel the presence of Lyndon B. Johnson, the rough-hewn Texan who dipped into the corporate cream of industry to pick this man to be his leading in-house businessman.

"President Johnson believes as I do," Secretary Connor told *NATION'S BUSINESS*. "He wants Commerce to be as vocal in its representation of business as the Labor Department has been for the unions and the Agriculture Department for the farmers."

Of course, outside the government the business viewpoint is articulated by the Chamber of Commerce of the United States just as the voice of organized labor is the

AFL-CIO. In part because Mr. Connor has such strong backing at the White House, he has been able to act decisively on a number of crucial fronts. To cite a few:

He has pressed hard to gain voluntary business support of Washington's program for improving the country's international balance-of-payments position.

He has worked tirelessly to further the federal export-expansion program, another step towards brightening the balance-of-payments ledger.

He is drawing more and more businessmen into influential contact with government. And, in a gambit unprecedented for a Commerce Secretary in modern times, he is reaching out to establish constructive rapport between his Department and organized labor.

He has thrown his full weight

behind Department efforts to improve public understanding of the free enterprise system; this in a move to offset what Mr. Connor describes as "intolerable ignorance" of such basic principles as the role of profits in our economy.

Finally, Mr. Connor—himself an outstandingly successful business executive—is bringing into play the same techniques of management he used at Merck, this time to streamline the operations of the 62-year-old Department of Commerce.

The latter is a big order, for Commerce is a sprawling conglomeration of bureaus and branches and programs, with 30,000 employees, an annual budget of \$5 billion (excluding federal highway program funds) and activities which range from census-taking to experiments in rail transportation.

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CONNOR

continued

mits, "one executive can't know all there is to know about the Weather Bureau, the Census Bureau, the Patent Office, and all the other domestic and foreign programs of the Department which affect businessmen and all citizens. So, one must find good subordinates and delegate to them both authority and responsibility for running the major phases of our total enterprise. This was the first job I tackled when I came in; building an effective management team."

At times it seems that the tall, unruffled Mr. Connor is indeed able to absorb all there is to know about the far-flung operations under his direction. Some assistants marvel at his ability to get quickly to the root of technical problems of which he has little prior knowledge. He is always on the go "learning the territory," as some Commerce Department field office directors have discovered with surprise.

But there are limits to the endurance and capability of even exceptional men, and that is where the Connor team comes in. It is comprised of predominantly youthful subordinates to whom the Secretary turns for the essential facts before he makes a decision. This is the heart of the Connor mode of managing—"get the facts, make your decision, then don't worry about it." He developed a respect for this orderly way of getting things done while general counsel to Dr. Vannevar Bush, when the latter was wartime director of the Office of Scientific Research and Development. If Mr. Connor has a managerial idol, it is Vannevar Bush. Mr. Connor worked under Dr. Bush at Merck after the war.

Secretary Connor insists on centralization of authority in his top-level people.

"The days when a bureau head could run his own show are ending," says one Connor aide. "More and more, the Secretary is pushing his key people into managerial and budgetary responsibility. And he expects regular guidance from them on progress, problems and long-range goals."

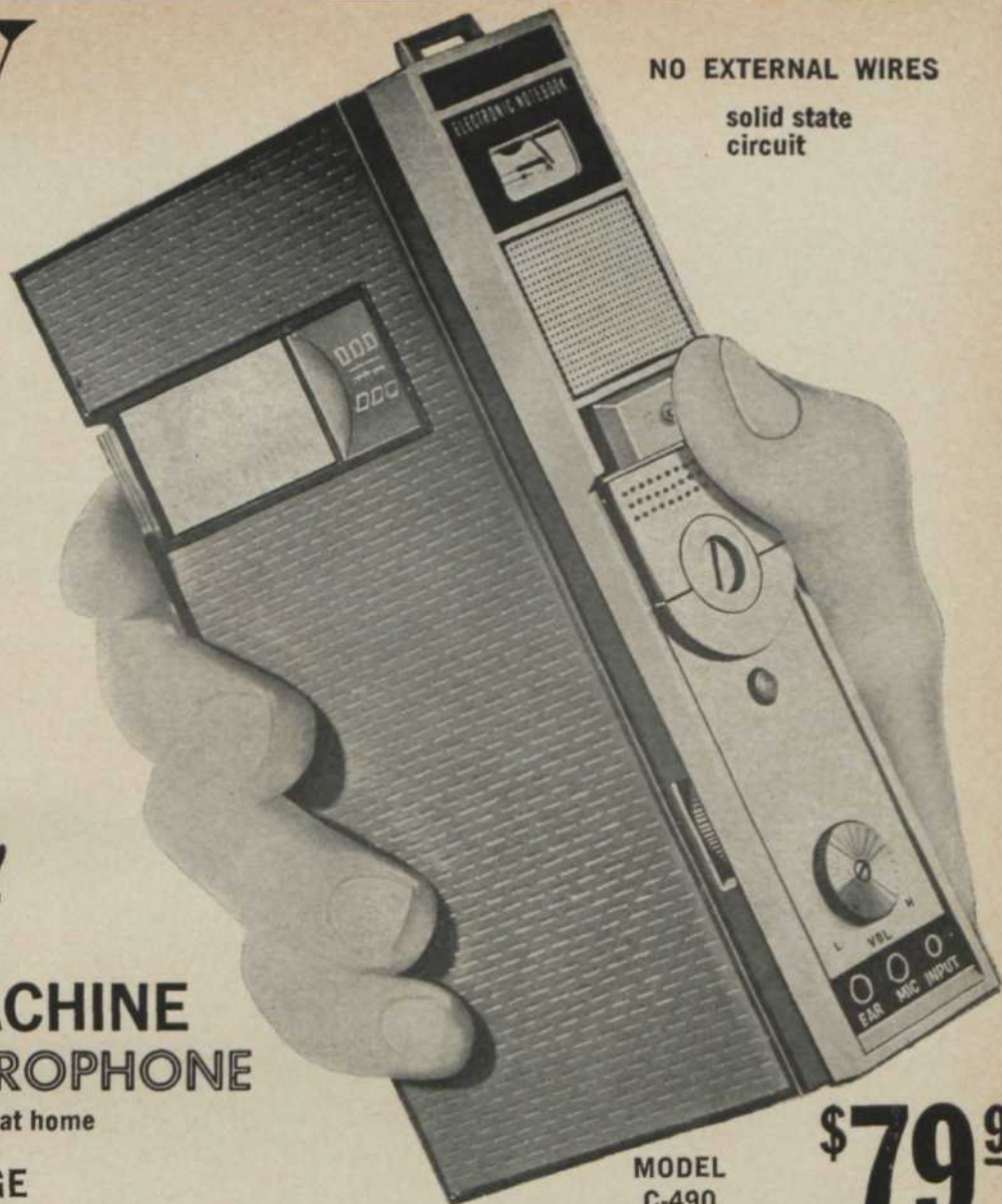
The key people around Secretary Connor are:

- Under Secretary of Commerce LeRoy Collins, 57, highly-respected former Governor of Florida, an attorney and a past president of the National Association of Broadcast-

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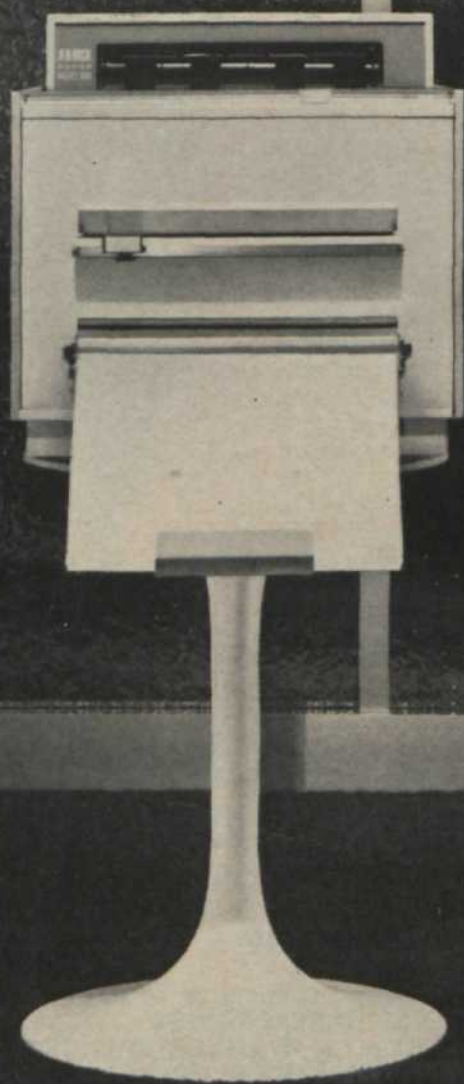
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PLAN AHEAD

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One major area where you'll need to think things through and plan ahead in the coming year is in the field of legislation. 1965 was one of the most active legislative years in history . . . and 1966 is certain to bring many more developments that will vitally affect you and the way you'll do business in the future.

You can get a candid picture of what these developments will be . . . and what you can do about them at the Association Public Affairs Conference next January 25 and 26 at the Sheraton-Park Hotel in Washington.

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CONNOR

continued

ters. He was President Johnson's personal representative in untangling some of the country's worst racial disorders. When Secretary Connor is on the road, Governor Collins runs the staff meetings, calls the shots. The Secretary says: "He takes a great deal of responsibility off my shoulders."

- Under Secretary of Commerce for Transportation Alan S. Boyd, 44, former chairman of the Civil Aeronautics Board, an attorney and a man who served as adviser for development of aviation to LeRoy Collins when he was Florida's chief executive.

- Assistant Secretary of Commerce for Administration David Rawson Baldwin, 42, an M. A. graduate in public administration from Wayne University. His office is close by the Secretary's elegantly chandeliered quarters at Commerce; he is known unofficially as Mr. Connor's "office manager."

- General Counsel of Commerce Robert E. Giles, a 42-year-old hold-over from the Kennedy Administration. A native of South Carolina, he has had extensive business as well as legal experience.

- Assistant Secretary of Commerce for Domestic and International Business Alexander B. Trowbridge, 35. He came to his post from the Esso Standard Oil Company of Puerto Rico, where he was president and division manager.

- Assistant Secretary of Commerce for Science and Technology J. Herbert Hollomon, another Kennedy appointee. Dr. Hollomon, 47, directs the increasingly important scientific and technical functions of the Department. He is a former General Electric Company executive.

- Assistant to the Secretary Lawrence C. McQuade, 37, former Deputy Assistant for Financial Policy. He is the Secretary's principal staff assistant and came to Commerce from the Defense Department. From 1954 to 1960 he practiced law with the prominent New York firm of Sullivan & Cromwell.

- Special Assistant for Congressional Relations Paul Southwick. Mr. Southwick, 45, is a former Deputy Administrator of the Commerce Department's controversial Area Redevelopment Administration. He is an ex-newspaperman and has had staff experience in the

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CONNOR

continued

congressional brambles of Washington. His function will take on rising importance as Mr. Connor pursues a policy of getting the business viewpoint across to the government's legislative idea men before their ideas become legislation on Capitol Hill.

- Assistant Secretary of Commerce for Economic Affairs Andrew F. Brimmer, 39, a Harvard-trained economist. Dr. Brimmer, a Negro, directs the Census Bureau and the Office of Business Economics. In addition, he is the Department's top economist.

- Assistant Secretary of Commerce for Economic Development Eugene P. Foley, 36, former Administrator of the Small Business Administration and the newest member of the front-office crew.

- Special Assistant to the Secretary for Public Affairs James G. Morton, 49, a one-time New York newspaperman and Hearst executive. A World War II paratroop officer, Mr. Morton is the Secretary's chief press officer, speech writer, frequent traveling companion, and Jack-of-all-trades. It was under his supervision that the highly successful Commerce Department pamphlet series, including "Do You Know Your Economic ABC's?" was planned and written.

At Tuesday morning staff meetings with the Secretary, these aides will speak up if called upon or if they can contribute something of substance.

"The Secretary does not like talk for the sake of talk," Dr. Brimmer observes. "His meetings move."

Another thing the Secretary does not like is "end-running." If there are established lines of command, a Department official is expected to stay within those lines. At the same time, Mr. Connor is eager for the new idea, the new insight, the well-thought-out recommendation. His assistants have been given the word on this, and the word has gone down the line.

What shapes his thinking

Unlike his predecessor—Governor Luther H. Hodges—Mr. Connor came directly to Commerce from business. This, in the opinion of many, is a distinct "plus" for the business community.

"He knows the problems of industry because they were fresh in his mind when he came to Com-

merce," one associate says. "This was not the case with Governor Hodges. He had been a businessman, true, but in later years politics had consumed more and more of his energies."

Governor Hodges and Secretary Connor are close friends, incidentally, and it is not unusual for Mr. Hodges to sit in on a Connor staff meeting.

Mr. Morton recalls that when the Secretary took over last winter he made it clear that he wanted to give the Department a "real business constituency . . . but he also stressed that he wanted to humanize the Department's programs, to speak in terms of human values, to avoid talking in terms of smokestacks and new factories; to talk, instead, in terms of people, and people's jobs, and higher living standards, and the well-being of American families. This is a big reason why we are stepping up our program of economic education."

The warmth of John T. Connor comes through when you talk with him.

Once, over breakfast in the Secretary's hotel suite in New York, he recalled how his wife had flinched over the prospect of exchanging the comparative privacy of being married to a top business executive for the merry-go-round of life in official Washington.

"I had the same misgivings," Mr. Connor conceded. "I knew our family routine would be disrupted. And we are a close-knit family. I knew I would see less of my wife and our three children."

No social chat

The big decision for John Connor came last December. Presidential Assistant Jack Valenti called one day from the White House and said the President would like to see him.

"When Valenti told me that my interview would be sandwiched in between a conference with Soviet Foreign Minister Andrei Gromyko and a meeting with Prime Minister Harold Wilson of Great Britain, I suspected that it wasn't going to be just a social chat," Mr. Connor recalls with a grin.

Mr. Connor and the President had met before. (The Secretary, when vice chairman of the Business Council, had come to know LBJ; he had served, too, as a business sparkplug in the Johnson-Humphrey campaign of 1964. He has a richly varied background in corporate board, civic, drug trade and chamber of commerce work,

including service as an officer of the New Jersey State Chamber of Commerce.)

The White House interview was interrupted several times. By Mr. Connor's reckoning, it was five hours before the President finally got around to offering him the job.

When Mr. Connor left Merck he was saying goodbye to a \$129,000-a-year job and the drug company he had served for 18 years. He couldn't meet his bills today, he confides, were it not for income from a trust fund.

With a sudden, characteristic trapdoor smile, he adds: "The bank even makes out my income tax return. That's what happens when you leave business for government, I suppose. You automatically become incompetent to handle your own affairs."

But Secretary Connor is handling his affairs very nicely, at least at this juncture.

His pace is grueling—travel, planning sessions, speeches, meetings at the White House, the inevitable ceremonial interruptions of a Cabinet officer's life.

How does he do it?

"I can get a good night's sleep," he said as he eased into the back seat of his government limousine for a dash from one appointment to another. "I have resilience. If I didn't, I couldn't make it. I guess, most important of all, is this business of not stewing over decisions once you have made them. Legal training helped me develop that ability, and my service with Dr. Bush sharpened it. You look at a problem, walk around it a couple of times, make a decision and then drop it."

Our economic challenges

Mr. Connor believes the nation's Number One economic problem is the balance of payments, and this belief accounts for his marathon efforts to get business cooperation in forestalling the unnecessary outflow of dollars from America.

"If we lose this one, we could undermine confidence in the dollar and that would be a grave turn of events for America," he warns. Export expansion helps, he says, and he hints that new tax incentives for exporters may shape up as proposals in the next session of Congress.

The second biggest economic challenge he sees is the need for more balanced growth in the domestic economy.

"By balance," he declares, "I mean continued stability in prices,

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Walter D. Behlen

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from TIME MAGAZINE, Nov. 3, 1958

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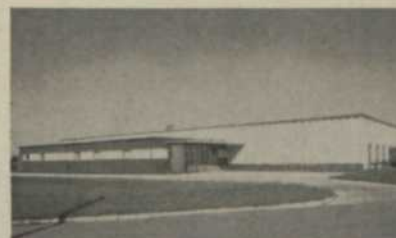
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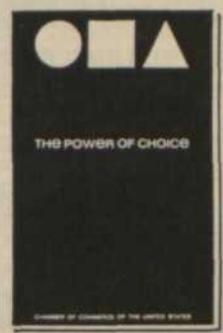
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CONNOR

continued

noninflationary wage increases, and more balance in our worker skills. There are an awful lot of workers in scarce supply these days, and the shortage of them could literally retard our progress. To name just a few categories: electricians, carpenters, machinists, metal workers. Some of the nonglamorous shortage jobs you don't hear much about."

The Secretary doesn't like to use the word "boom" when discussing the record growth period we are in now.

"To me boom is a bad word" he says. "It suggests imbalances, and growth with imbalances is self-defeating."

In the Secretary's opinion, the present uptrend will continue throughout 1966 and well into 1967. He lists the current high level of employment, personal income and corporate profits as major reasons. He sees the rip-roaring performance in automobile sales as still another powerful stimulant to continued growth.

Mr. Connor found himself smack in the middle of the steel showdown this past summer and worked closely with Labor Secretary W. Willard Wirtz to iron out the final issues blocking settlement.

Here is how he recounts it:

"The President called the steel representatives and the union people to Washington and urged them, in the national interest, to come to terms.

"They were closeted in the Executive Office Building. It was apparent at the outset that the deadlock was hopeless. Both sides were telling us privately that they couldn't settle and that there would be a long and costly strike.

"Mr. Wirtz and I began to work with both parties through the collective bargaining process. The President was in constant touch with the situation, including participating in the meetings. The negotiators themselves came to agreement on more than 90 per cent of the points; when they bogged down, Mr. Wirtz and I took the eight issues that were still unresolved and hammered out compromise proposals. Because I am a businessman, my management experience came into play as we took up each point. Secretary Wirtz, on the other hand, had greater experience with the unions' point of view. We were trying for proposals

that were fair to both parties and in the national interest.

"In the end, after getting together ourselves on such touchy points as early retirement and the matter of vacation pay, we were ready to present the recommendations. We briefed the President first and then we went in. The compromises were accepted, but of course neither side was completely happy.

"I feel the President did the right thing in bringing the parties together, and I am just as convinced that if this had not happened there would have been a strike. Then, in a period of high product demand, shortages would have developed, prices would have gone up and you would have had real inflation—in short, one hell of a mess."

What to do about strike threats

Mr. Connor says that while he does not personally advocate "compulsory arbitration" he can see the need for some legislative changes if situations similar to the steel impasse are repeated.

"The national-emergency provisions of Taft-Hartley seem to me to be inadequate," he continues, "and I believe more thought should be given to the best ways of coping with serious national strikes."

On the controversial issue of right to work, Mr. Connor admits that he tends toward support of organized labor's position. He says this may be the result of conditioning at Merck, which has a union shop. The Administration wants to repeal the provision of the law which allows states to ban compulsory unionism.

If some would quarrel with his opinions on the right-to-work issue or the best way to head off strikes, few would dispute the Secretary's conviction that businessmen should take an active interest in government and in politics. One of his objectives is to draw more businessmen into contact with government through service on advisory committees.

"We need more of the business viewpoint here," he explains. "It's in the self-interest of business, for one thing. I have found over the years that some anti-business decisions by government have been more the result of ignorance than malice."

Influence at the idea stage

Another aim is to make the business point of view felt in government at the issue-discussion level.

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One of a series of messages depicting another growing service of The Greyhound Corporation.



EGON WECK

A Connor staff session. From the left, economist Andrew F. Brimmer, Under Secretary LeRoy Collins, Mr. Connor, press chief James G. Morton, Legislative aide Paul Southwick and Deputy Lowell Bridwell.

up in Congress and a public hearing was being held. But often that is too late. It's better to get your message in early, before an idea you don't like picks up too much momentum."

John Connor is philosophically committed to the free enterprise system, but he doesn't regard this commitment as incompatible with his desire to promote more partnership between business and government.

"We can have both," he contends. "We need a more cooperative approach certainly than we had in the days when people like Henry Wallace and Harry Hopkins were serving as Secretaries of Commerce."

"Actually, I feel that President Johnson is trying to get Commerce back on the track it was originally

intended to follow—a voice of business in government. Mr. Johnson is a man who understands free enterprise."

Mr. Connor believes it unlikely that the day will come when government calls all the economic signals and business and labor simply respond. "This wouldn't be healthy even if it were possible," he comments.

He has discovered that you can't apply the same profit-and-loss test to government activities that you would use in measuring business performance.

"Public reaction, congressional pressure, and plain-and-simple politics" are factors to be reckoned with in his present milieu, and they have few, if any, counterparts in running a company.

Nevertheless, if the men who

work for him will not be expected to show a profit, they will be expected to reach targets that match the policy objectives he lays down from the Commerce pinnacle.

In a touching series of "Impressions" which he wrote concerning the late James Forrestal, the wartime Secretary of the Navy, for whom he worked, Mr. Connor noted that that man of restless drive, introversion and uncanny foresight into the Cold War was "much too idealistic about his government and his country to survive indefinitely in Washington."

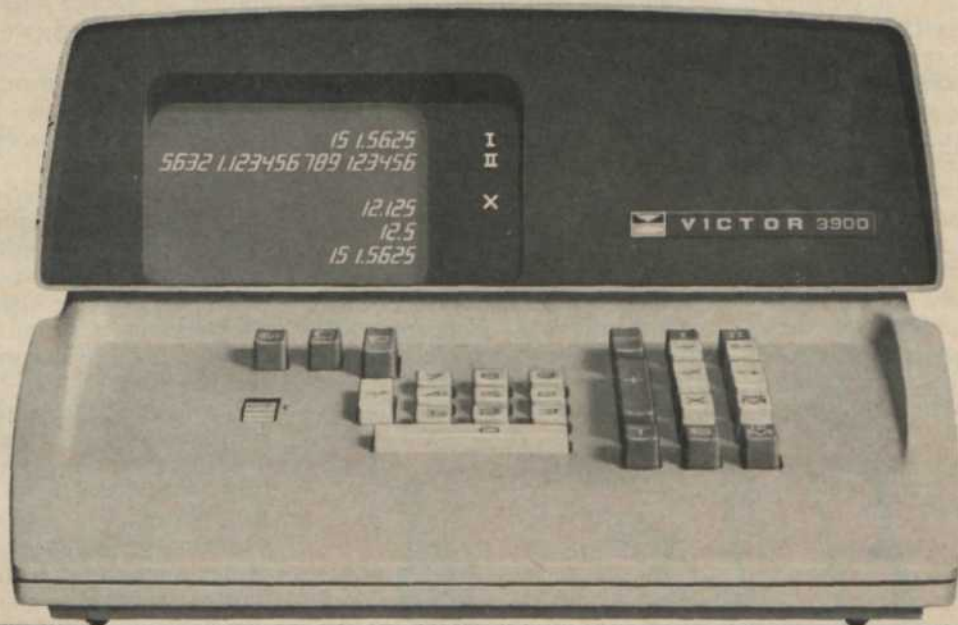
If John Connor succeeds in the same high-pressure atmosphere, and he shows every indication of doing just that, it will undoubtedly be because he not only is idealistic but the cool-headedly practical man business made him. **END**

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AMERICA'S CITIES

continued from page 55

10 parking spaces for 1,000 square feet of retail space developed in the community. This is exactly twice as much space as was found to be required by a recent survey of the International Council of Shopping Centers.

In adopting such a code, the community failed to consider that after certain minimum standards have been set to safeguard the public interest, the final amount of parking should be determined by economic factors as a part of the over-all business judgment leading to the development of a property.

Finally, a major pitfall for many communities is the rejection of certain potential solutions because of unfavorable past experiences. San Francisco's Embarcadero Expressway, an elevated freeway, created such a violent reaction that the city decided it will have no more freeways anywhere.

Adequate capital is available today for economically sound development programs. This is true whether it is private investment in central business districts or elsewhere without governmental assist-

ance, or whether it is limited to state-authorized condemnation proceedings for land assembling or federally assisted programs.

What is of primary importance is the investment climate. Can an investor develop without harassment and within a period which is practical from an economic standpoint? Are streets, highways, adequate zoning and reasonable tax policies assured? Can the community goal be achieved in terms of the market for the facilities planned? If the answer to these questions is "yes," capital is available on competitive terms for responsible and economically sound development programs.

Our own experience with cities indicates there is increasing participation by the business community in the community's redevelopment processes. This keener interest is leading to both individual action on the part of the business community in formulating programs, and cooperation between the planning and redevelopment offices of cities and private groups which generally operate through local chambers of commerce. Regardless of how such community development efforts might be administered or financed, there are

specific steps which should be taken toward setting up realistic goals and their proper achievement. These are:

1. A survey should be made of the community's economic potential. Such surveys can be pointed either at feasibility of a single project, such as a downtown revitalization program, or at the entire future economic growth opportunities for the community.

- Such studies should be aimed at identifying not only economic growth opportunities but also pointing out the nature and timing of private investment which might be expected and the specific community programs which would be required to attract such investment.
2. An active program should continue to review municipal codes and administrative practices to determine their effects on the private investors while protecting the public's interest.

3. Following the necessary survey work and the determination of development opportunities for the community, a priority list of projects should be developed based on the community's own hierarchy of desires and its economic opportunities.

It might be determined that the ultimate goal of the community would be to improve its employment base through an extension of the industrial establishment of the community. However, the projects which might best bring this about might include street improvements, dressing up the central business district and improving the general community image. Industrial companies are increasingly examining the educational and cultural facilities where they are contemplating a branch office or plant.

4. Finally, the best techniques and methods for accomplishing the individual projects must be settled on. Within the framework of a timetable of community redevelopment, each project should be taken in sequence and guided by the opportunities of the moment.

The influence of the business community should be in:

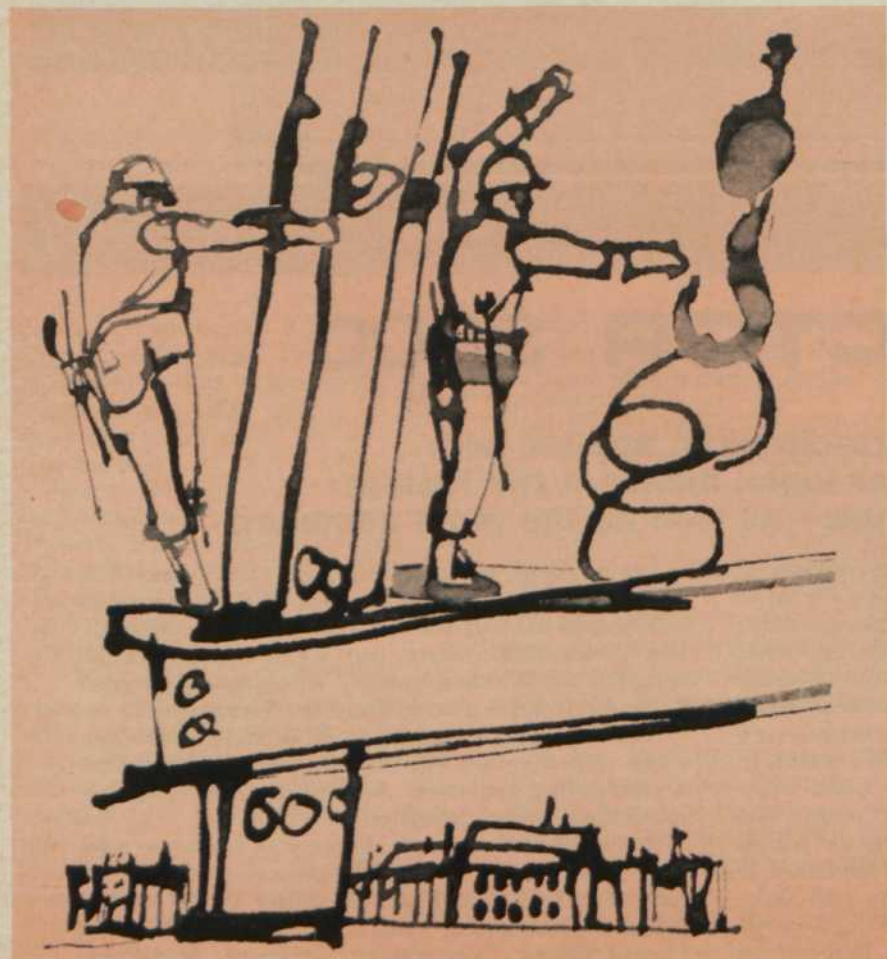
Correlating and giving expression to all the segments of the community in planning goals;

Encouraging efficient administration from a financial standpoint and effective administration of existing ordinances;

Planning community improvements with a practical schedule of priority;

Encouraging the full use of available resources.

END





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
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STATEMENT OF OWNERSHIP

STATEMENT of ownership, management and circulation (Act of October 23, 1962; Section 4369, Title 39, United States Code)

1. Date of filing: September 28, 1965.
 2. Title of publication: NATION'S BUSINESS.
 3. Frequency of issue: monthly.
 4. Location of known office of publication: 2219 McCall Street, Dayton, Ohio 45401; 1615 H Street, N. W., Washington, D. C. 20006.
 5. Location of the headquarters or general business offices of the publishers: 1615 H Street, N. W., Washington, D. C.
 6. Names and addresses of publisher, editor, and managing editor: publisher, Arch N. Booth, Executive Vice President, Chamber of Commerce of the United States of America, Washington, D. C.; editor, Jack Woodbridge, Washington, D. C.; managing editor, Tait Trussell, Washington, D. C.
 7. Owner: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors. The officers are as follows: President: Robert P. Gerholz, president, Gerholz Community Homes, Inc., Flint, Mich. Chairman of the Board: Walter F. Carey, president, Automobile Carriers-Dealers Transit, Inc., Birmingham, Mich. Chairman of the Executive Committee: Edwin P. Neilan, chairman of the board and president, Bank of Delaware, Wilmington, Del. Treasurer: Louis B. Lundborg, chairman of the board, Bank of America, N. T. & S. A., Los Angeles, Calif. Executive Vice President: Arch N. Booth, Chamber of Commerce of the U. S. A., Washington, D. C. Vice Presidents: Henry C. Coleman, chairman of the board, Commercial Bank at Daytona Beach, Daytona Beach, Fla.; Frank P. Fogarty, president, Meredith Broadcasting Company, Omaha, Neb.; Robert S. Ingersoll, chairman and chief executive officer, Borg-Warner Corporation, Chicago, Ill.; Frank A. Kemp, president, The Great Western Sugar Company, Denver, Colo.; Ernest J. Loebbecke, chairman of the board, Title Insurance and Trust Company, Los Angeles, Calif.; M. A. Wright, executive vice president, Standard Oil Company (N. J.), New York, N. Y.
 8. Known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages or other securities: None.
 9. Paragraphs 7 and 8 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner. Names and addresses of individuals who are stockholders of a corporation which itself is a stockholder or holder of bonds, mortgages or other securities of the publishing corporation have been included in paragraphs 7 and 8 when the interests of such individuals are equivalent to 1 percent or more of the total amount of the stock or securities of the publishing corporation.
 10. This item must be completed for all publications except those which do not carry advertising other than the publisher's own and which are named in sections 132.231, 132.232, and 132.233, postal manual (sections 4355a, 4355b, and 4356 of Title 39, United States Code)

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| B. Paid Circulation | | |
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| 2. Mail subscriptions | 771,750 | 771,000 |
| C. Total paid circulation | 771,750 | 771,000 |
| D. Free distribution (including samples) by mail, carrier or other means | 17,574 | 18,000 |
| E. Total distribution (Sum of C and D) | 789,324 | 789,000 |
| F. Office use, left-over, unaccounted, spoiled after printing | 7,034 | 28,000 |
| G. Total (Sum of E & F—should equal net press run shown in A.) | 796,358 | 817,000 |

I certify that the statements made by me above are correct and complete.
 (Signature of editor, publisher, business manager, or owner)
 WILLIAM W. OWENS, business manager

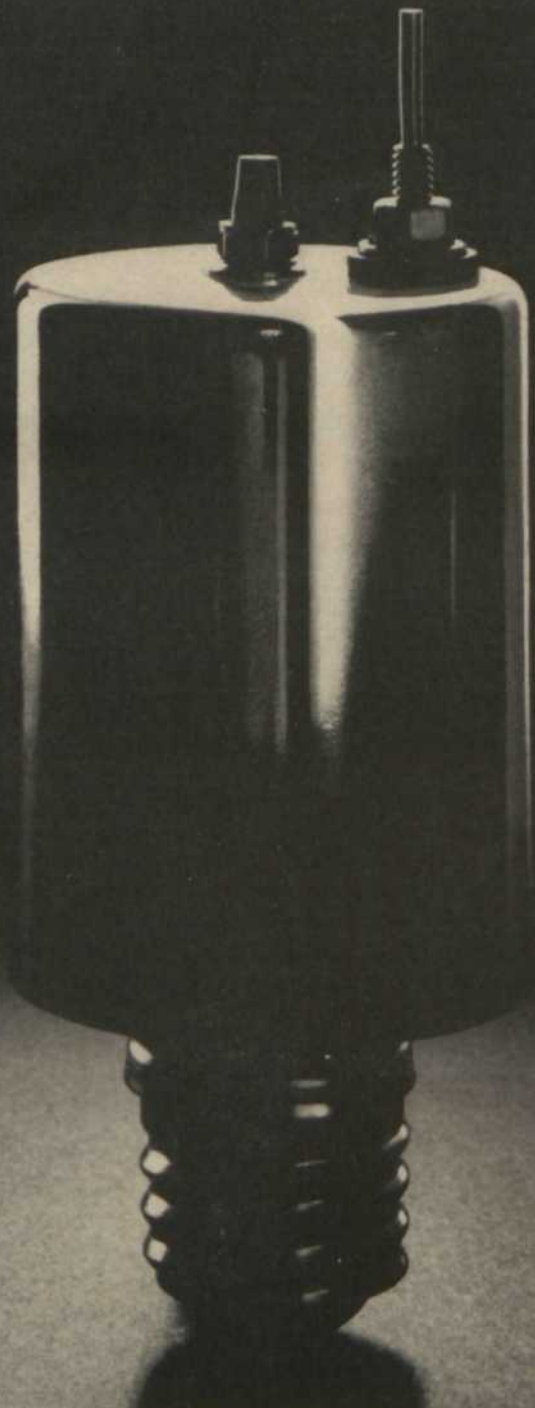
Why did Western Electric buy this electronic device from a 'small' business?

Not long ago, the Kneisley Electric Company, Toledo, Ohio, showed Western Electric a new solid state rectifying device. The device had a virtually unlimited life and could be substituted for other rectifying elements that required periodic replacement. The new rectifying device resulted in savings of \$80,000 a year.

The initiative shown by Kneisley Electric is exactly what Western Electric looks for in its suppliers. And suppliers know that Western Electric will welcome new ideas. This is one way Western Electric helps the Bell telephone companies provide better telephone service at low cost.

W.E. spends over one billion

dollars annually with some 40,000 firms—90 per cent of them "small" as defined by the Small Business Administration. If your company has skills that might be useful to us, send for our free booklet "Glad To See You!" Room 16R, 195 Broadway, N.Y., N.Y. 10007. Or contact the buyer at one of Western Electric's plants.



Western Electric
MANUFACTURING & SUPPLY UNIT OF THE BELL SYSTEM

Sleep not, dream not

As a young congressman in the bleak days of the depression, Lyndon Johnson wangled the government's first public housing project for his little congressional district.

He recalled it recently as "the first great reward of my public service," as he signed this year's far-reaching housing legislation.

The new law brings us "nearer the goal that has been the dream and vision of every generation of Americans," he declared. And he called federal urban renewal "our principal instrument for . . . renewing the vitality of cities."

In the 15-year life of federal urban renewal, fewer than 100,000 homes have been provided on subsidy-cleared land. Meanwhile, our enterprising private housing industry has built nearly 22 million new homes.

Thus, the vision of the federal government as the great provider of housing was never any more than political dreaming.

Maybe someday the politicians will wake up.

Nation's Business • November 1965

MORE THAN 750,000 SUBSCRIBERS IN BUSINESS AND INDUSTRY



Introducing the tuned car. 1966 Buick.

What makes a car a car is styling, performance, ride and handling. Only when they're all tuned together is the car a Buick. Like this 1966 Electra 225.

You know how well your car's engine runs after a tuneup? Buick tuning has the same effect on the whole car. Not just the engine. The whole Buick. Everything blends with everything else. Styling. Performance. Ride. Handling. All tuned to work together in harmony. That's what the tuned car is. A Buick.

Can the tuned car really do anything for you that ordinary cars can't?

Stop for a minute, and look and listen.

What you can learn from a look. The beauty of a '66 Buick's beauty is that it goes beyond looks. Because we style the tuned car to look like a million dollars—and then build it as if looks didn't count.

So things *fit* on a Buick. The doors. The hood. Carpeting. You can see attention to detail wherever you look. (The reason we're so attentive is that Buick owners have a long his-

tory of being attentive themselves. They're used to the best, and we aim to please.)

And things *blend*, too. You don't get the feeling that the rear deck doesn't belong with the grille, or that the interior doesn't really quite fit in. That's tuned styling.

What a listen can tell you. Buick thinks building a quiet car is more than a matter of insulation. In fact, we build our cars as if insulation never existed. We winnow out sound before it starts.

And when we have the car as silent as we can make it, we apply insulation. Just the right amount, just where it'll do the most good.

And so when you go driving, you don't hear a lot of little intrusions. But you do feel the road. We think road feel is important, in the tuned car. (Our engineers spend vast

amounts of time out on the road, testing and checking and re-testing. It's said that our chief engineer won't approve a design until we build it and he or his staff can test it.)

A drive can do more. Now that you've been introduced to the tuned car, you should meet it personally. The Electra 225 in our picture is perhaps the ultimate Buick. (It answers the question, "What do you move up to when you've been used to a Buick?") Among its standard features are power steering and brakes, Super Turbine automatic transmission and virtually everything you can think of to make driving pure pleasure.

Driving the tuned car will teach you more than you might suspect.

For one thing, you'll find out why Buick owners are so loyal. And so many.

Wouldn't you really rather have a Buick?

The advertisement is framed by an ornate, gold-colored border with intricate scrollwork. In the center, a man in a black tuxedo and bowler hat is depicted in a dynamic, dancing pose, holding a cane. He is surrounded by a wreath of gold medals. The text "...it's always a pleasure!" is written in a cursive font next to him. Below the illustration, the brand name "I.W. HARPER" is prominently displayed in large, bold, gold letters, with "THE GOLD MEDAL KENTUCKY BOURBON" in smaller text underneath. In the bottom right corner, a bartender in a white shirt is shown behind a bar, pouring whiskey from a bottle. A large bottle of I.W. Harper Gold Medal Kentucky Straight Bourbon Whiskey is positioned in the foreground on the right, with its label clearly visible. The background of the central illustration is a deep red.

...it's always
a pleasure!

I.W. HARPER
THE GOLD MEDAL KENTUCKY BOURBON

For the pleasure of your company!
Enjoy Prized I.W. Harper Gold Medal Bourbon
or the traditional Bottled in Bond. Since 1872.